COLORADO
Office of the State Controller
Department of Personnel
& Administration

FISCAL PROCEDURES MANUAL

MAY 9, 2016

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CHAPTER 1: SECTION 1
INTRODUCTION AND AUDIT RISK LETTER

TO:	Controllers and Chief Fiscal Officers of State Departments and Higher Education Institutions and Boards
FROM:	Bob Jaros, CPA, MBA, JD State Controller
DATE:	May 2016
SUBJECT:	FY2017 Opening/FY2016 Closing Procedures

This is our second year closing in CORE. It has been a challenging year as we continue to learn about the system and address issues for labor allocation, balances, and reporting. The Fiscal Procedures Manual has been updated to reflect the latest processes for closing and opening using CORE. We have made a lot of progress, but are still not back to meeting all the deadlines in CRS 24-30-204(1) and (3) for Fiscal Year 2016. As a result, I will grant an extension for administrative hardship and send a letter to the General Assembly with the revised reporting dates. You will note that there is no extension for TABOR.

The open/close process continues to be complex, made more difficult working in a new system where opening and closing processes are still being established and refined. I know from working with many of you that you take this responsibility seriously. Your continued input and assistance in the operation of CORE has been critical and will continue to be paramount as we embark on our second CORE annual close. I look forward to working with you to meet the challenges ahead in our second close in CORE and our third opening in CORE.

Key Dates:

August 4 - Departments and institutions complete nonexempt revenue transactions for TABOR.

August 22 – Departments and institutions complete their close (Period 13), which should include recording routine year-end activity.

August 24 – Departments and institutions submit an Exhibit I, Letter of Certification of TABOR Revenue, Exhibits A1 and A2 as applicable, and TABOR variance analysis.

August 26 - Period 14 close for Fiscal Year 2016. This is a hardship extension from August 4 in statute. The OSC uses the time from August 23 to 26 to review the State accounts, which will require extra emphasis this second close in CORE, and make material error corrections.

September 30 – Departments and institutions submit their financial statements, including exhibits I and J (when applicable) to the State Controller. This is a hardship extension from the August 25 in statute.

October 15 – OSC issues Basic Financial Statements (Period 15 close). This is a hardship extension from September 20 in statute.

December 15 – OSC issues Comprehensive Annual Financial Report (Period 16 close).

March 31 or earlier – OSC and OSA file Schedule of Expenditure of Federal Awards

Other dates are included in the Close FY2016/Open FY2017 Calendar. The "Highlights" section following this letter summarizes changes this fiscal year. I encourage each department to make full use of the "Department Planning Guidelines and Checklist" to ensure that each of the tasks required of your department is specifically assigned and completed, as tasks have changed with the implementation of CORE. A copy of the management representation letter that you provide to the State Auditor must also be submitted to the Office of the State Controller as soon as it is available.

These procedures are available on our website at: https://www.colorado.gov/pacific/osc/fiscalprocedures. In addition to the Fiscal Procedures Manual, many other resources are available on our website. We, at the Office of the State Controller, hope you will find these resources valuable.

Best wishes for a successful open/close. Thank you for your continued cooperation and support.

Sincerely,

Robert Jaros, CPA, MBA, JD
State Controller

1.1 Audit Risk Letter

To be distributed at a later date.

1.2 FY2016 Closing and FY2017 Opening Highlights

The following items are brought to your attention, as they represent new policies and procedures, a new area of emphasis, or address problems identified during last year's closing process. Review of these highlights should not be used as a substitute for a close review of the text of these instructions.

1. TABOR Revenue must be recorded and Exhibits I, A1 or A2 (if applicable) must be submitted by August 24.
2. For FY2016 all institutions except Fort Lewis College, Western State Colorado University and the Auraria Higher Education Center (AHEC) are expected to fully qualify as TABOR enterprises. Adams State University will re-qualify as a TABOR-exempt enterprise in FY2016. (See Chapter 5, Section 5.8.)
3. GASB Statements No. 72 – Fair Value Measurement and Application – (See Chapter 3, Section 6)
4. With CORE, there are changes in year-end entries including:
    a. Requirement to reclassify expenditures in the General Fund resulting from underearned cash, reappropriated and federal sources to the General Fund. (See Chapter 2, Section 2.8.)
    b. Requirement to record unrealized investment income for department or institution-held investments. (See Chapter 3, Section 3.20.)
5. Any changes to the exhibits will be posted on the OSC website.
6. The Long Bill will be loaded from Performance Budgeting, with segregation between appropriated and nonappropriated informational only line items, with a full restriction on informational only federal funds. Federal and capital construction carryforwards on open projects will be automated. This will require that spending authority be established by departments manually to expire projects, and carryforward encumbrances on remaining projects. For federal funds, manual entries will be required for new federal awards and the expiration of unused awards. (See Chapter 2, Section 2.6 and Chapter 4, Section 1.5.)
7. Transfer codes have been established to assist the OSC in eliminating transfers from the statewide financial statements. The codes further define transfers as inter and intra fund. (See Chapter 3, Section 3)
8. Approval of general-funded rollforward requests will be extremely limited due to continuing demands on resources. Given this limitation, agencies are encouraged to seek legislative approval for such rollforward requests. There are also some adjustments in the procedures for roll forward requests. (See Chapter 3, Section 2.)
9. Under CRS 24-30-202(13)(b) & (d), higher education institutions may elect to opt out of the State fiscal rules. The exempted institutions are not required to comply with the Annual Travel Expense Report in the year following the fiscal year during which the institution has opted out. Additionally, the report has been automated, eliminating the requirement to submit Travel Turnaround Forms. (See Chapter 5, Section 2.)
10. As a reminder, agencies and institutions shall continue to review their data as presented on the Transparency Online Project System (TOPS) and provide certification of that review on the Financial Responsibility and Accountability Compliance Act (FRAC) Statement. (See Chapter 5, Section 6.)

1.3 Department Planning Guidelines and Checklist for FY2016 Closing and FY2017 Opening Activities

To ensure a successful close, adequate planning and scheduling of year-end activities are critical to agencies. It is imperative that agencies plan and complete critical tasks early in the year and monitor year-end activities closely. Planning guidelines and task lists have been designed to give departments helpful suggestions for developing plans to complete both current year closing and new year opening activities. The guidelines and checklist are available, each as a separate tab, in the FY2016_2017_Calendar_Guidelines_Checklist.xls document available on OSC's website at the following link: https://www.colorado.gov/pacific/osc/fiscalprocedures.

1.4 Opening and Closing Calendar

A successful close is contingent upon departments completing task timely and accurately. The FY2016 closing and FY2017 opening calendar is available, as a separate tab, in the FY2016_2017_Calendar_Guidelines_Checklist.xls document. An additional tab includes the full calendar for reference purposes. The document is available on OSC's website at the following link: https://www.colorado.gov/pacific/osc/fiscalprocedures.

1.5 Abbreviations Used Throughout This Manual

ARRA – American Recovery and Reinvestment Act of 2009

CAFR – Comprehensive Annual Financial Report

CCCAS - Capital Construction Continuing Appropriation Status

CCS – Central Collection Services

CDC – Capital Development Committee

CFDA – Catalog of Federal Domestic Assistance

COFRS – Colorado Financial Reporting System

COPs – Certificates of Participation

CORE – Colorado Operations Resource Engine

CPPS – Colorado Personnel Payroll System

DHE – Department of Higher Education

DUNS - Data Universal Numbering System Number

ESRC – Excess State Revenues Cap

FAR - Financial Analysis and Reporting Section of the OSC

FASB – Financial Accounting Standards Board

FDW – Financial Data Warehouse

FFATA – Federal Funding Accountability and Transparency Act

GAAP – Generally Accepted Accounting Principles

GASB – Governmental Accounting Standards Board

IBNR – Incurred But Not Reported

JBC – Joint Budget Committee

NYTI – New Year Table Initialization

OIT – Governor's Office of Information Technology

OMB – Office of Management and Budget

OSC – Office of the State Controller

OSPB – Office of State Planning and Budgeting

PERA – Public Employees Retirement Association

POTS – Personal Services, Operating, Travel, and Special Items

RSRC – Revenue Source Code

SAI – Spending Authority Indicator

SAS – Statements on Auditing Standards

TOPS – Transparency Online Project System

1.6 Updates to This Manual

Updates to this manual may occur periodically throughout the year. Appendix 1 document mid-year changes, including changes to any related forms and exhibits not contained within this document itself. The OSC will also notify department and institution controllers when modifications are made via the OSC controller listserv.

CHAPTER 1: SECTION 2
GENERAL INFORMATION

There is a variety of general information relevant to operations throughout the year as well as the closing of one fiscal year and the opening of the next. This section addresses issues of general interest.

2.1 CORE Hours of Operation

The CORE system including infoAdvantage is generally available Monday-Friday by 8 a.m. to 6 p.m. The system is also frequently available on weekends during the same hours, except when monthly or intermittent maintenance activities occur. For the most current information regarding system availability please visit http://core.state.co.us/home.

2.2 Accounting Periods

CORE has 16 regular Accounting Periods as shown below:

Period	Close	Purpose
1-12	July-June	Normal Monthly Accounting Activity
13	August 22	Department Close
14	August 26	Statutory OSC Close
15	October 14	BFS Close
16	The audit opinion date	CAFR Close

CORE has two additional periods for OSC financial statement presentation entries. Period 55 runs concurrently with Period 15 and Period 56 runs concurrently with Period 16. For departmental purposes, period 14 represents the State's statutory close and period 16 represents the final audited close.

2.3 Document Availability

The following are the last dates for processing CORE documents for FY2016.

Document Code	Description	Last Date Available
CI	Stock Issue Confirmation	30-Jun
OC	Over the Counter Stock Issue	30-Jun
SN	Stock Return	30-Jun
TR	Stock Transfer Receipt	30-Jun
UR	Universal Requestor	30-Jun
AD	Automated Disbursement	P12
CR	Cash Receipt	P12
CR1	Cash Receipt Interface	P12
CR3	Cash Receipt Treasury Walk In	P12
CT	Contract	P12
CTGG1	Contract Grants Given	P12
DO	Delivery Order	P12
EFT	Electronic Funds Transfer	P12
GAE	General Accounting Encumbrance	P12
GAEC	General Accounting Encumbrance Correction	P12

GAX	General Accounting Expense/Expenditure	P12
GAX1	General Accounting Expense/Expenditure Interface	P12
GAX3	General Accounting Expense/Expenditure Payroll	P12
IN	Vendor Invoice	P12
IT	Intercept Transfer	P12
MA	Master Agreement	P12
MD	Manual Disbursement	P12
PO	Purchase Order	P12
POGG1	Purchase Order Grants Given	P12
PRC	Commodity Based PR	P12
PRC1	Commodity Based PR Interface	P12
PRM	Matching PR - Normal	P12
PRN	Matching PR - Negative (Inverse Reference)	P12
RQS	Standard Requisition	P12
WR	Warrant Reconciliation	P12
IA	Inventory/Stock Adjustment	P12
SRQ	Stock Request	P12
SRQ1	Interface Stock Request	P12
ACL	Manual Accrual Clearing	P12
PREXC	Payroll Expenditure Correction	P12
PREXP	Payroll Expenditure	P12
PRLIA	Payroll Liability	P12
PRLID	Payroll Internal	P12
PRLNP	Payroll Net Pay	P12
CA	Cost Allocation	P13
CH1	Charge Transaction	P13
CR10XX	10XX Account Cash Receipt	P16
IET1	Interface - Internal Exchange Transaction	P13
IET3	Treasury Only-Internal Exchange Transaction	P13
MD1	Manual Disbursement Warrant Interface	P13
MD2	Manual Disbursement EFT Interface	P13
MD4	Manual Disbursement Payroll	P13
RE1	Summary Receivable Interface	P13
ACC	Manual Accrual	P16
ACL	Manual Accrual Clearing	P16
ARE	Accrued Receivable	P16
BGP93	Project Budget	P16
BGG94	Grant Budget	P16
BGA90	Appropriation Budget Document	P16
BGA91	Bottom Line Funding Document	P16
BGE92	Department Expense Budget	P16
CH	Charge Transaction	P16

CHC	Charge Transaction Correction	P16
FA	Fixed Asset Acquisition	P16
FC	Fixed Asset Cancellation	P16
FE	Fixed Asset Depreciation Expense	P16
FI	Fixed Asset Increase/Decrease	P16
FX	Fixed Asset Type Change	P16
IET*	Internal Exchange Transaction	P16
ITA*	Internal Transaction Agreement	P16
ITI*	Internal Transaction Initiator	P16
JV1ADVN	Advanced Journal Voucher	P16
JV1BOND	Journal Voucher Bonds	P16
JV1CASH	Cash Transfer Journal Voucher	P16
JV1CL	Journal Voucher Capital Lease	P16
JV1STND	Standard Journal Voucher	P16
JV1TRES	Treasury and Debt Accounting Journal Voucher	P16
JVA	Advanced Journal Voucher	P16
JVA1	Interfaced Advanced Journal Voucher	P16
JVC	Cost Accounting Journal Voucher	P16
JVC1	Cost Accounting Journal Voucher Interface	P16
RE	Receivable	P16

* ITI/ITA and IET documents are used to account for internal activity such as transfers, pass-thru grants, sales of goods/services, and reimbursements. These documents are also used for some general accounting activity. Some of these standard event types also have payable/receivable offsets in addition to the cash offset version.

- July 1 - August 22
  ITI/ITA and IET documents can be processed without restriction between departments during this period, with the exception of interactions with Higher Education institutions which must be completed by July 15. These transactions offset cash.

- August 22 and After
  Departmental entries to redistribute Treasury pooled cash are not allowable after Period 13 close. Any adjustments must be recorded offsetting payables and receivables and require the submission of a payable/receivable confirmation form.

2.4 ADS Workbook Upload Functionality

Some documents are available as an uploadable Automatic Document Submission spreadsheet. Once documents are loaded in this manner they follow the same workflow path had the document been entered manually. Available ADS spreadsheets and troubleshoot guide can be located at: http://core.state.co.us/resources-1/automated-document-submission-materials.

2.5 Central Document Approval

During the fiscal year, periods 1 - 13, central OSC approval is required for:

- JV1ADVN Journal Voucher transactions containing Treasury Pooled Cash or Fund

Balance/Net Position

- JV1STND Journal Voucher transactions with Event Type XG30 for authorized use of fund balance in the General and Capital Construction Fund
- BGA90 and BGA91 Budget Documents

Beginning with period 14, all documents route centrally for OSC approval.

2.6 Assignment of Document ID Numbers

Documents are automatically numbered in CORE, i.e., a department cannot manually enter the Document ID. Many documents have been configured to allow for unit prefixing. In those cases, a user enters the prefix into the Document ID field and the system automatically populates the remaining numbers. The prefix settings are maintained on the ADNT table in CORE. The fiscal year indicator in the ID number is generally refers to the fiscal year in which the document is processed. As a result, a document with a "2017" ID number can impact FY and BFY 2016. The OSC CORE Helpdesk is responsible for configuration of the document numbers.

2.7 Recording Documents in the Correct Fiscal Year

We will be operating in two fiscal years during the period from July 1 through the close of Period 16. Therefore, for financial statement purposes, it is important to ensure transactions are dated and recorded in the correct fiscal year. When entering transactions during this time, please verify that the budget fiscal year, fiscal year, transaction date, and accounting period correspond to the fiscal year in which the transaction applies. Please note that these dates will not necessarily coincide with the document number. The date in the document number (i.e., 16, 2016, 17, or 2017) is based on the current system date, which will result in FY2016 transactions with a 2017 document number.

Starting on July 1, transactions with a blank FY, BFY and Period will default to FY17, BFY17, and Period 1 based on the system date. Note that for documents in workflow without dates on June 30, the dates will autopopulate upon approval to FY17, BFY17, Period 1. It is critical that all documents be reviewed to ensure that they post to the appropriate FY, BFY, and Period.

Payments posting to the closing fiscal year during the cross-over period when both fiscal years are open should be dated as follows:

- Payment documents created manually (GAX/1, PRC/1, MD): FY2016, BFY2016, P12 with a blank record date
- Payment documents automatically generated (PRM)
    - IN reference to an FY2016 award
    - IN service date on commodity line of 6/30 or prior

2.8 Chart of Accounts

The Chart of Accounts is continuously available in infoAdvantage. The various chart levels can be accessed in the Financial Reference Data Folder under Statewide Reports as follows:

- REF-002 Central Chart of Account Listing
- REF-001 Departmental Chart of Account Listing
- REF-012 Higher Education Chart of Account Listing

Proposed changes to the chart or related tables should be submitted to Financial Analysis and Reporting mailbox, DPA_FARmailbox@state.co.us.

2.9 Ledgers Rolled after FY2016 Final Close

It is anticipated that beginning FY2017 balance sheet account balances will be established on the FY2017 online ledgers based on the FY2016 Period 16 final statutory close balance sheet amounts shortly after Period 16 close. For reporting purposes, beginning FY2017 account balances are expected to be reflected in the FY2017 Period 1 month-end closing reports.

2.10 New Year Table Initialization

New year tables will be available in CORE when the New Year Table Initialization (NYTI) process is run to initialize tables for the new fiscal year. The NYTI program identifies all reference tables with either “Fiscal Year” or “Budget Fiscal Year” as a field, and then automatically creates a new year reference table with the same information as the prior year.

Cabinets should review their new fiscal year tables to determine if the chart of account elements will meet their needs for the new fiscal year. Cabinets may begin to modify Departmentally-defined tables or request modifications to Centrally defined tables for the new fiscal year, after they are created.

Most current year reference table updates that occur after the initial NYTI cycle, will be automatically ported to the new year on a weekly basis through incremental NYTI cycles that are scheduled to run each Friday through Period 14 close. The exception to these automatic updates is with deleted records, these must be done in both the current and new year. Any updates after Period 14 must be also completed manually in both years.

2.11 Presence Budgetary Control

All funds in the CORE system, except Fund 4710, will be set at ”presence control" for budgetary purposes during the first several months of the fiscal year to allow time for recording budgets. In order to process transactions against a budget during this timeframe, at a minimum, a zero-dollar budget will be required. All funds, except 4710 will be placed on “budget control” and when this occurs adequate budget must be recorded to generate a warrant. The date that the system will be placed on budget control is expected to be by the end of September, but will be communicated in advance.

2.12 Interim Modified Cash Basis of Accounting

With the implementation of CORE, the state moved to an interim modified cash basis of accounting. This means that quarterly accruals for estimated activity that has not yet been reflected through daily operations should not be accrued. At fiscal year end, manual accruals must be recorded in Period 13 to support the modified accrual basis of accounting in governmental funds, and the full accrual basis of accounting in proprietary and fiduciary funds. Accruals shall be reversed in the subsequent year, with the exception long-term accruals such as various items in the Department of Revenue, the most significant including income, sales and use, wage withholding, excise, fuel, tobacco-related, and severance tax accruals and motor vehicle and marijuana fees. Additionally, accrual reversals will not be required in departments operating in the Highway Users Tax Fund.

2.13 Positive Coding of Expenditures and Revenue

With the implementation of CORE, revenues and expenditures shall be recorded to the Long Bill cell. Budgeted operating activity shall be split by funding source - general, general exempt, cash, reappropriated, and federal - and by line item. To the extent possible, departments should utilize CORE functionality to split transactions to this level upfront; however, reclassification entries may be necessary to accomplish this after-the-fact.

One exception is related to enterprises, either those that issue stand-alone financial statements, or internal service funds for resale. For these funds, if you have a general fund appropriation, please keep the budget in that appropriation as General, but then transfer the amounts into the enterprise fund for spending. This will require inferred spending authority in the enterprise fund.

2.14 Pre-Audit Sensitive Account Codes

There are a number of account codes that are particularly audit and reporting sensitive. An example is travel object codes that are reported in a separate report by the OSC to the General Assembly by in-state, out-of-state, and international travel breakouts. Another example is the proper use of revenue source codes to appropriately classify revenues in accordance with the provisions of the TABOR amendment. Accounts of this nature should be carefully reviewed for proper classification throughout the year and again prior to close.

2.15 Fiscal Contacts

The OSC publishes a Fiscal Officer and Department/Institution Head lists on its website. If any of the information on the site appears to be incorrect, please submit an update request to the DPA_FARmailbox@state.co.us. Requests should also be directed to this mailbox for changes to the Controller's distribution listserv.

CHAPTER 2: SECTION 1
ENCUMBRANCES ISSUES

This section discusses the process for pre-encumbrance (RQS documents) and encumbrance transactions (PO, CT, etc. documents) for both the close of the old fiscal year and the opening of the new fiscal year. These processes include: (1) recording new year pre-encumbrances and encumbrances prior to the opening of the new fiscal year, (2) encumbering for contracts prior to the opening of the new fiscal year, (3) the modification and roll of pre-encumbrances and encumbrances, and (4) rolling multi-year contracts.

1.1 New Year Encumbrance and Requisition Documents

Requisitions and encumbrances for the new fiscal year can be created after the new year table initialization is run at the beginning of March and $0 budget lines are established. Prior to this set up, requisitions can be entered in the prior fiscal year and awarded in the new fiscal year using event types PR01 or PR02 on the requisition. If entering a requisition or award after the new year table initialization, users must enter period 1, and the fiscal year and budget fiscal year for the opening year on the header and accounting lines.

1.2 Instructions for Encumbering New Year Contracts Prior to July 1

Regardless of source, the department shall enter new year encumbrance documents into CORE for the amounts required to be encumbered for new year contracts. If the budget has not yet been recorded a $0 BGA document needs to be processed to activate the appropriation. For departments whose controllers have contract signature delegation and only for low risk contracts, the program or contract staff shall forward the encumbrance documents with the contracts to the department controller. The department controller may approve the encumbrance at their discretion without a sufficient custodial or statutory budget. For departments whose controllers lack contract signature delegation or for high risk contracts, the program or contract staff shall forward the encumbrance documents to the OSC and the OSC may approve the encumbrance at their discretion without a sufficient custodial or statutory budget. By entering the encumbrance document the department is asserting the funding and budgetary authority exists, and due to timing may or may not be recorded on the system. The department is responsible to take the necessary steps to book any remaining related budget before budget controls are activated.

1.3 Modification and Rollover of Purchase Encumbrances and Purchase Orders

All encumbrances and pre-encumbrances on current year appropriations should be reduced to zero on the CORE system at fiscal year-end.

The rollover process is set by default to "lapse" open pre-encumbrances. All pre-encumbrance documents will lapse unless a department uses the pre-selection tables discussed below to roll the pre-encumbrance. Departments should roll open requisitions that will be awarded in the new year. If a requisition was lapsed before being awarded, the department will need to re-enter the requisition in the new year and submit it through workflow.

The rollover process is set by default to "roll" open encumbrances to the new year. If there is a balance outstanding on an encumbrance, it will roll to the next fiscal year and establish an encumbrance in the new fiscal year appropriation unless the department lapses the document. If you do not want the encumbrance to roll, you must make a manual entry on the pre-selection tables.

The rollover process is set by default to "roll" SRQ documents to the new year. SRQ documents are used by departments that use the inventory module. There is no option to select SRQ documents to lapse.

The Roll Lapse Pre-Selection Summary table (RLPSS) and the Roll Lapse Pre-Selection Detail table (RLPSD) are used by departments to record roll or lapse decisions when the tables are populated in early July. RLPSS allows departments to roll or lapse entire documents while RLPSD allows departments to roll or lapse by line. The pre-selection tables only include documents with a positive open dollar amount in the closing fiscal year and in the final phase when the pre-selection tables are populated. Departments should make every effort to ensure any prior year pending documents are final before these tables are populated.

Document modifications can be entered and approved between the time the pre-selections tables are populated and when the roll and lapse occurs. However, departments should make every effort to ensure any modifications are final before the roll and lapse occurs. Modifications in the pending phase will result in neither the original nor the modification rolling to the new fiscal year. Modifications in the draft phase will roll the most recent final version of the document, not the modification.

Payments made between during the pre-selection period, will not be reflected on the pre-selection tables. However, payments will be applied against the open amount when the roll is performed in CORE.

On the RLPSD table, departments can search for encumbrances by document, accounting line, commodity line, department, vendor, fiscal year, or budget fiscal year. Departments should change the action to “Lapse” or “Roll” on each accounting line and the “Approve” box must be checked. After changing a page, use the save button to save the changes made. Note that all accounting lines for a single commodity line must have the same action. Departments should not select “No Action” as this will neither lapse nor roll the encumbrance. “Accrue” accrues the open balance on each accounting line of the encumbrance and should not be used as the accrue batch job will not be run this fiscal year end close.

An alternate table is the Roll Lapse Pre-Selection Summary (RLPSS). This table allows a user to change all of the lines on a document at once using the links at the bottom of the page; however, users cannot select multiple documents at one time.

To update the pre-selection tables, users must have the general accounting table maintenance security role.

If you plan to roll a document, please be aware that some errors may still occur in this roll process. These errors are primarily due to coding problems that are under the control of the departments. Examples include appropriation units not being active, budget lines not being active, grants closed, etc. It is essential that departments do everything possible to ensure that the codes necessary to roll encumbrances into the new year are active and available. After the roll process is run in mid-July as outlined in the open/close calendar, departments should review the statewide report of rejected documents (to be distributed to departments) or look for rejected documents in the document catalog, correct the errors, and submit through workflow in a timely manner. Failure to correct rejected documents will leave open encumbrances in the closing fiscal year and will trigger budget errors.

CORE rolls documents by creating a new version of the prior year document with budget fiscal year and fiscal year for the new year and accounting period 1. Commodity based documents are lapsed with a Commodity Based Document Lapse (CBDL) document in the prior budget fiscal year and fiscal year. GAE documents are lapsed with an Accounting Based Document Lapse (ABDL) document.

This fiscal year end close, FY2016, a chart of account crosswalk process is being tested and may be available. More information will be distributed by CORE Operations closer to the execution of the roll and lapse process.

1.4 Multi-Year Contract Roll

Multi-year contacts may be established in the current year with lines for each of the subsequent years. Departments enter the full amount of the contract, but enter each out year on a different accounting line. The current year accounting line should use event type PR05, the current budget fiscal year, and the current fiscal year. The accounting lines for subsequent years will use a non-accounting event type (PR08), a future budget fiscal year, the current fiscal year, and reserved funding field set to “Yes.” It is critical that all out year lines have reserved funding set to “Yes”. If any of the out year lines are “No” and a payment is processed against the contract, the payment will be applied to the out year lines with reserved funding value of “No.”

When the roll is performed, CORE increments the fiscal year on all out year lines where a non-accounting event type is used. This process will change the reserve funding field to “No” and change the non-accounting event type (PR08) to accounting (PR05) when the budget fiscal year matches the fiscal year. All other out years will remain as originally entered until control rolls for those years are performed.

Departments may use the roll process in section 4.3 to roll the outstanding amount in the prior year in conjunction with the multi-year contract roll. After both the encumbrance roll and multi-year contract roll processes are run, there will be two lines on the contract in the new fiscal year, one for the closing fiscal year rolled amount and one for the multi-year contract roll amount.

CHAPTER 2: SECTION 2
FY2016 BUDGET

2.1 CORE Budget Structures and Rollup Coding

Budget structures are used in CORE as a framework for determining the type of budget. There are 5 budget structures: Central: Legal Budget Structure (BGA90), Bottom Line Budget Structure (BGA91) Departmental: Optional Non-Legal (BGE92), Project (BGP93) and Grant (BGG94). Each structure must have at least one budget level.

The sources of funding for the Legal Budget Structure (BGA90) are identified in the Long Bill, by Long Bill Line. The sources of funding for the Bottom Line Budget Structure (BGA91) are identified in the Long Bill for a group of line items in total, not individually by line. This structure allows for more flexibility in applying revenues within the bottom line group.

Within each budget structure, there are 3 levels of reporting. Each line utilizes rollup coding, with more detail on the third level of both structures.

Budget Structure	Level	Coding Elements					
BGA90 (Longbill) **Required**	1	BFY	Cabinet	Appr Category	Appr Type		
	2	BFY	Cabinet	Appr Category	Appr Type	Appr Unit	
	3	BFY	Cabinet	Appr Category	Appr Type	Appr Unit	Fund

Budget Structure	Level	Coding Elements						
BGA91 (LB Bottom-line) **Required**	1	BFY	Cabinet	Appr Category	Appr Group			
	2	BFY	Cabinet	Appr Category	Appr Group	Appr Class		
	3	BFY	Cabinet	Appr Category	Appr Group	Appr Class	APPR Unit	Fund

- **Budget Coding Definitions:**

Appropriation Units (9 characters): Appropriation Units are created by the Office of the State Controller (Financial Support Services Unit), or a limited number of department users. The first 5 characters of the Appropriation Unit are centrally defined by the Financial Support Services Unit, with the last 4 characters (Appropriation Code) at the department's discretion (except for Miscellaneous General Revenue, which must be coded as "9999"). Appropriation rollup codes are linked to the Appropriation Unit on the APPR screen. The rollups are then inferred on the various transaction documents based on the Appropriation Unit used. Although not all rollup codes are used by both central budget structures, all rollup codes are created for both structures to allow for additional reporting by the Office of the State Controller. The following codes are used:

GCF Indicator (1 character): Within the Appropriation Unit, Appropriation Group, and Appropriation Type, the second character of the code is the General/Cash/Federal (GCF)

Indicator. This indicator identifies the nature of the appropriation, and is based on the Long Bill column:

G: General.
X: General Exempt/Capital Construction
C: Cash
R: Reappropriated
F: Federal

For non-appropriated statutory budgets, the GCF indicator is generally C (Cash).

- **Appropriation Class (7 characters):** The Appropriation Class is required for BGA91 (Long Bill Bottom Line) and includes the Cabinet (1 character), Line Type Indicator (1 character), Long Bill Line Item (5 characters). There may be one or many Long Bill line items to a single funding source code. LB line items are established by the Financial Support Services Unit and are numeric for appropriated and alphanumeric for nonappropriated.

  The Line Type Indicators are as follows:

  P: Personal Services. This indicator is used for Long Bill Lines with the following titles: Group Health, Life, and Dental; Short-Term Disability Insurance; Amortization Equalization Disbursements; Supplemental Amortization Equalization Disbursements; Salary Survey, Shift Differential.

  O: Operating Expenses. This indicator is used for Long Bill lines with the words "Operating Expenses" in the title. This code will be used to prepare the Merit Pay Reversion and Calculation Report (HB12-1321).

  I: Indirect Costs. This indicator is used for Long Bill lines with the words "Indirect Cost Assessment" in the title. This code will be used to prepare the Excess Indirect Cost Recovery Report (SB 13-309).

  G: Program Lines. This indicator is used for Long Bill Lines that are not Personal Services, but have FTE listed in the Long Bill cell.

  R: Other. This indicator is used for Long Bill lines that are not applicable to P (Personal Services), O (Operating Expenses), I (Indirect Cost Assessment), or G (Program Lines). It is also used for non-Long Bill non-appropriated budget lines.

- **Appropriation Category (1 character)**: This code designates if the budget line is appropriated, non-appropriated, or capital, with further designations for line item funding or bottom line funding.

  A: Appropriated (structure BGA90) – For Long Bill, Special Bills, or Supplemental Bills, any amount NOT treated as nonappropriated, should be coded as Appropriated.

  B: Appropriated (structure BGA91) – Noted by the OSC as "BL" in the coded Long Bill. Funding for bottom line funded items are recorded across GCF at the total line for the group, not at the line level.

  N: Nonappropriated (structure BGA90) - In Long Bill, Special Bills, and Supplemental Bills, amounts with (I) Informational Only notation. Also, other items are coded as Nonappropriated if the amount is noted as "informational only," even if no (I) notation exists. If noted as "continuously appropriated," those budget lines should be coded as nonappropriated.

F: Nonappropriated (structure BGA91) – Noted by the OSC as "BL" in the coded Long Bill. Funding for bottom line funded items are recorded across GCF at the total line for the group, not at the line level.

C: Capital Appropriated (structure BGA90) – Capital amounts in the Long Bill, Special Bills, and Supplemental Bills, if not treated as nonappropriated should be coded as Capital Appropriated.

D: Capital Appropriated (structure BGA91) - Capital amounts in the Long Bill, Special Bills, and Supplemental Bills, if not treated as nonappropriated, and noted by the OSC as "BL" in the coded Long Bill. Funding for bottom line funded items are recorded across GCF at the total line for the group, not at the line level.

- **Appropriation Type (5 characters)**: The Appropriation Type is required for budget structure BGA90 and includes Cabinet (1 character), GCF Indicator (1 character), and the Funding Source Code (3 characters), which is assigned to each line of the Long Bill. There may be one or many funding source codes for a single Long Bill Group. Funding Source Codes are established by the OSC and are alpha codes for appropriated lines and numeric for nonappropriated.

- **Appropriation Group (5 characters)**: The Appropriation Group is required for BGA91 (Long Bill Bottom Line) and includes **Cabinet (1 character), GCF Indicator (1 character), Long Bill Group (3 characters)**. There may be one or many group accumulators to a single cabinet. These codes are established by the Financial Support Services Unit of the OSC, and are alpha for appropriated and alphanumeric for non-appropriated.

  The OSC uses the Long Bill to ensure that all centrally defined codes requested are in the system either as a rollforward from the prior year by NYTI or as a new entry. The NYTI populates FY2017 APPR codes based on active codes in FY2016 as of the date of the chart of account roll (see open/close calendar). Departments may begin adding, changing, or deleting APPR records as noted in the open/close calendar. New APPR records are completed as soon as possible after being requested. The OSC will distribute a coded final Long Bill to each department.

2.2 Spending Authority Indicators

All budget documents (structures BGA90 and BGA91) require a spending authority indicator (SAI) code. This code is intended to identify the source of the spending authority and not the type of funding for the budget line. The SAI is essential to the production of statewide budget-to-actual statements and the OSC's monthly budget reconciliation.

Spending Authority Indicator codes are as follows:

- **1 – LONG BILL –** This code is used for the initial recording of the operating portion of the Long Bill. It is also used to record the capital construction portion of the Long Bill in the year it is approved by the Governor (OSC recording by the OSC or direct department recording excluded from the OSC's recording). This SAI code should also be used to reclass any budget lines that were originally recorded in the Long Bill as "VSCF" – Various Sources of Cash, which needs to be removed prior to the end of the Fiscal Year. When reclassifying fund VSCF, be sure to decrease fund VSCF (BG01 and SAI1 if recorded with the Long Bill; BG03, SAI3 if recorded with a Supplemental Bill), and increase the new budget line (same BG01/SAI1, or BG03/SAI1). This entry should have no effect on the Event Type or SAI coding once complete.

  Beginning in CORE, the activity for the Long Bill will be interfaced to CORE from PB (Performance Budgeting) module during May and June.

SAI code 1 should never be used to increase or decrease appropriation authority after the Long Bill has been recorded and reconciled.

- **2 – SPECIAL BILL –** This code is used for any appropriation spending authority that arises from a special bill passed by the legislature and approved by the Governor during the regular or any special session and is not otherwise appropriated to a department through the Long Bill, Supplemental Bill, or a statute. Appropriation spending authority recorded with this code must be recorded in an appropriated (numeric) Long Bill line item code. This activity will be recorded with a Budget Event Type of BG01.

  Beginning in CORE, the activity for new year Special Bills will be interfaced to CORE from the PB (Performance Budgeting) module once the bills are signed.

- **3 – SUPPLEMENTAL BILL –** This code is used for any appropriation spending authority that arises from a supplemental bill signed by the Governor that either changes, adds, or reduces appropriation authority granted to a department by the Long Bill or a special bill. If this code is used, budget must be recorded in an appropriated (numeric) Long Bill line item code. This SAI code is used to record adjustments to a special bill included in a narrative section of a supplemental bill that is an actual adjustment to the spending authority and not a repeat of a special bill. This SAI code should also be used to record 1331 emergency supplemental approved by the JBC, the CDC, the OSPB, and the OSC, as applicable. When 1331 supplemental bills have been recorded, they will need to be reversed in their entirety once the final supplemental bill has been processed and loaded to CORE. Please be sure to record this activity with a Budget Event Type of BG03.

  Note on adjustments to memo federal appropriations in supplemental bills:

  If a supplemental bill includes an increase in memo federal appropriations beyond what the agency believes they need or will be able to support with a federal award, record the total increase and restrict the unsupported and/or unneeded amount.

  If a supplemental includes a decrease to memo federal appropriation authority and there exists unsupported federal appropriation authority, reduce the appropriation to the unsupported amount or to the negative supplemental, whichever is less.

  Beginning in CORE, the activity for new-year Supplemental Bills has been interfaced to CORE from the PB (Performance Budgeting) module after the bills were signed.

- **4 – CUSTODIAL -** This code is used to record any nonappropriated custodial funds. Custodial funds are defined as funds which are given to the State that can be specifically identified and set aside, which are for a specific purpose, for which the State is to act as a custodian, and which are not available for the general use of the state. Examples of custodial funds are federal funds, private gifts, grants or donations, and court awards. Gifts, grants and donations received for the general use of a state department are not considered custodial funds. Please refer to SAI 10 if your agency has statutory authority to receive and expend gifts, grants, donations and/or contracts. Please refer to Fiscal Rule 3-1 for a definition of grant contracts. Please be sure to record this activity with a Budget Event Type of BG03.

  Proper use of this code includes:

  - Recording federal awards that are either not appropriated or recording the amount of a federal award that is in excess of the memo appropriations in a legislative act (Long Bill, special bill, or supplemental).

  - Recording nonappropriated gifts (gifts per definition in CRS 24-77-102(6)) or the amount of a gift that is in excess of the appropriations in a legislative act (Long Bill, special bill, or supplemental) when use of the gift is restricted for a particular purpose by the donor.

- Recording the carryforward of any of the two previously mentioned items into a subsequent fiscal year.
- Recording spending authority related to gifts, grants or donations received by a department for which the department acts as a trustee or agent and where the use of the funds have been restricted for a specific purpose. Statutory authority is not needed for the department to act in this capacity and expend custodial funds.
- Awards to the State by court action (any level of court).
- Recording and releasing restrictions when the original source of funding was custodial.

Improper use of this code includes:

- Recording gifts, grants and donations where the donor has not placed a restriction on the use of the funds (see SAI 10).
- Recording any item that has been appropriated.
- Recording any item that does not meet the definition of custodial funds.

Documentation required to support use of the code includes:

- A copy of a federal award document applicable for the period in which the appropriation authority is being requested and supporting the requested amount.
- A copy of a preliminary federal award document applicable for the period in which the appropriation authority is being requested. This may take the form of an official preliminary award, an amount specific letter from the granting agency, or a general intent to fund letter from the granting agency.
- A copy of a contract or court award from another state agency which identifies that the funds being received by the requesting agency have been granted to them, for the applicable period, and indicating that the funds are 100 percent federal pass-through.
- Evidence (copy of a check, warrant, award letter, etc.) of a nonappropriated, nonstatutorily authorized gift, grant or donation.
- Court award or settlement document.
- Documentation of any previous period expenditures of the funds for awards with budget/award periods that cross state fiscal periods. Possible sources for this item are BGA90/BGA91 and/or grant/project-level screen prints.

- **5 – ROLLFORWARDS –** This code is used to request rollforwards of general, general exempt, cash, reappropriated, and in some rare cases, federal appropriations. Please record the amount requested as a decrease of the budget line for the amount of the rollforward requested. When used, the budget reduction request needs to be in existing closing year coding. Once approved by the State Controller, the new year rollforward budget must be recorded in a nonappropriated Long Bill line item code, as defined by the OSC. If the amount of the rollforward changes after the reduction is processed, the budget line will need to be adjusted before the end of the fiscal year, and, if the amount of the rollforward is greater, the form will need to be revised.

  Proper use of this code includes:

  - Recording any general, general exempt, cash, or reappropriated appropriation for which the State Controller has approved a rollforward from one fiscal year to the next.

Improper use of this code includes:

- Recording the carryforward of multi-year appropriations (i.e. capital construction – see SAI 8) or the carryforward of custodial funds (see SAI 4).

Documentation required to support use of this code includes:

- Request and/or evidence of State Controller approval for the rollforward of the requested funds.
- Evidence that the amount requested is actually available (i.e. BQ90LV3/BQ91LV3 screen prints).

- **6 - CAPITAL CONSTRUCTION REVERSIONS** – Use this code when recording decreases in appropriated capital construction projects for the purpose of appropriation close-out/reversion. This is the only appropriate use. This code is primarily used in Fund 4610. Please contact your Financial Support Services representative for use in other funds.

  Documentation required to support use of this code includes:

  - At fiscal year-end, the infoAdvantage OSC-019 Capital Construction – Reversions and Carryforwards report and a screen print of the BQ90LV3/BQ91LV3 supporting the dollar amount remaining should also be submitted.
  - During the year, a screen print of the BQ90LV3/BQ91LV3 screen supporting the dollar amount of the reversion.

- **7 - TRANSFERS** – Use this code when allocating appropriation authority for routine purposes. There must never be a net impact, either increase or decrease, on total appropriation authority at the statewide level. This code may be used in either an appropriated (numeric) or nonappropriated Long Bill line item code.

  Proper use of this code includes:

  - Recording the allocation of "centralized appropriation" items as defined in the headnotes to the Long Bill.
  - Moving appropriation authority among appropriation codes within a single long bill line item.
  - Recording allocations of appropriations made to one department which are intended to be utilized at another department (i.e., salary survey appropriation to the Department of Personnel).
  - Recording transfers of controlled maintenance appropriations approved by the Office of the State Architect.
  - Recording transfers authorized by statute other than CRS 24-75-108 to 110.
  - Recording transfers authorized by long bill footnote.
  - Recording zero-dollar BGA documents for activating a budget line or revenue source code regardless of funding source.

  Improper use of this code includes:

  - Recording transfers of appropriation required by special bills.

- Recording year-end transfers allowable per CRS 24-75-108 to 110.
- Recording actions that increase or decrease net appropriation authority at the statewide level.
- Recording actions that change the type of appropriation authority (i.e., decrease cash and increase reappropriated in the same amount).

Documentation required to support use of the code includes:

- Documentation (or a statement that documentation is on file at the department) of actual group health, dental and life or short-term disability expenditures.
- Indication that appropriation codes used are in the same line item (i.e., through review of BQ90LV3/BQ91LV3 budget screens other means of determining Long Bill lines).
- Documentation that amount is available to transfer from one line item to another.
- Legislative intent that an appropriation to one department is to be used by another department and the amount intended to be used; such as letternote in an appropriations bill.
- Properly approved State Building's form SC4.1.

- **8 - CAPITAL CONSTRUCTION CARRYFORWARDS** – Use this code to record the encumbered portion of a capital construction project appropriation that is available in the current fiscal year related to expired projects. Note that carryforwards within the three year availability period will occur in an automated fashion. If this code is used, budget must be recorded in a CORE appropriated appropriation category.

  Proper use of this code includes:

  - Recording the unexpended balance of capital construction projects appropriated in prior years that have not expired (three year capital construction appropriation life).
  - Recording the unexpended but properly encumbered balance of expiring capital construction projects.
  - Recording and releasing restrictions when the original source of funding was a capital construction carryforward.

  Improper use of this code includes:

  - Recording the reversion of a completed or closed project.
  - Recording any noncapital construction item.
  - Recording the carryforward of any nonappropriated capital construction project.
  - Recording transfers of controlled maintenance appropriations approved by the Office of the State Architect.

  Documentation required to support use of this code includes:

  - infoAdvantage Expiring Project Report (in development) and evidence of valid outstanding encumbrances.

- **9 – YEAR END OSPB-APPROVED TRANSFERS** – Use this code to record the OSPB-approved transfers around year end. An approved form, signed by OSPB, must be attached to the BGA document. See Chapter 3, Section 1 for more instructions.

- **10 – STATUTORY** – Use this code to record appropriation authority based in substantive statute. The statutory authority may or may not be specific in dollar amounts. Be sure to provide the statute citation in the House Bill section of the BGA document.

  Proper use of this code includes:

  - Recording spending authority for gifts, grants and donations when ability to accept and expend these funds is authorized by statute.
  - Recording spending authority for statutorily required distributions.
  - Recording spending authority for casualty insurance reimbursements.
  - Recording transfers to the capital construction fund required by statute and repeated in the headnotes to the Long Bill; including transfers from the General Fund and the Lottery.
  - Recording spending authority in a fund necessary for the transfer of excess fund balance to any other fund when there is a statutory limitation on the fund's fund balance.
  - Recording off-budget spending authority necessary for a department to meet its statutory responsibilities.
  - Recording amounts that the Legislature has 'authorized', through statutes, the Executive Branch to expend.
  - Recording amounts authorized through a Governor's Executive Order where the Governor is specifically allowed by statute to authorize spending.
  - Recording and releasing restrictions when the original source of funding was statutory.

  Improper use of this code includes:

  - Recording any gifts, grants or donation received when statutory authorization does not exist to receive and expend those funds.
  - Recording appropriation specifically authorized through legislative appropriation action (Long Bill, special bill, or supplemental) that is not based in substantive statute.
  - Recording most federal funds (limited instances of federal funds are specifically authorized in statute).

  Documentation required to support use of this code includes:

  - Statutory cite being used to support spending authority request.
  - Documentation of nonappropriated statutorily authorized gift, grant or donation (or amount in excess of appropriation).
  - Evidence of insurance settlement (CRS 24-30-202(21)).

- **11 - INFERRED APPROPRIATION** – Use this code when appropriation authority is needed to execute a transfer of revenues from one fund to another fund. This activity should be intercabinet in support of cash appropriations. All spending authority recorded using this SAI must be recorded in a nonappropriated appropriation category.

For intracabinet activity, you must use the actual cash fund that is referenced in the Long Bill, and therefore, not using SAI 11.

Proper use of this code includes:

- Recording spending authority to execute a transfer required to support an appropriation in another area (Long Bill headnote Section 2(1)(e)(IV)). In situations related to the headnote, there must be a corresponding and equal appropriation to justify the amount.
- Recording appropriation authority to make disbursements to outside parties when legislative appropriation is made to a different fund or agency from where the actual disbursement occurs.

Improper use of this code includes:

- Recording spending authority for reversion purposes.

Documentation required to support use of this code includes:

- Evidence of appropriation intended to be supported from the transferring source. This can include letternotes or footnotes contained in the Long Bill or supplemental bills or legislative intent specified in special bills.

- **12-16 – DEPARTMENTAL RESTRICTIONS** – These codes are used for recording departmental restrictions against the budget line, and are added and removed at the department's discretion.
  - SAI 12 – General Fund Restriction - Departmental
  - SAI 13 – General Fund Exempt Restriction - Departmental
  - SAI 14 – Cash Fund Restriction - Departmental
  - SAI 15 – Reappropriated Fund Restriction - Departmental
  - SAI 16 – Federal Fund Restriction - Departmental
- **17-21 – CONTROLLER'S RESTRICTIONS** – These codes are used for recording Controller's restrictions against the budget line. These restrictions are added and removed at the Controller's Office discretion.
  - SAI 17 – General Fund Restriction – Controller
  - SAI 18 – General Fund Exempt Restriction – Controller
  - SAI 19 – Cash Fund Restriction – Controller
  - SAI 20 – Reappropriated Fund Restriction – Controller
  - SAI 21 – Federal Controller's restriction
- **22-26 – GOVERNOR'S RESTRICTIONS** – These codes are used for recording Governor's restrictions against the budget line. These restrictions are mandated by the Governor's Office.
  - SAI 22 – General Governor's restriction

- SAI 23 – General Exempt Governor's restriction
- SAI 24 – Cash Governor's restriction
- SAI 25 – Reappropriated Governor's restriction
- SAI 26 – Federal Governor's restriction

- **27-31 – OVEREXPENDITURE RESTRICTIONS** – These codes are used for recording Overexpenditure restrictions against the budget line.
    - SAI 27 – General Overexpenditure restriction
    - SAI 28 – General Fund Exempt Overexpenditure restriction
    - SAI 29 – Cash Fund Overexpenditure restriction
    - SAI 30 – Reappropriated Fund Overexpenditure restriction
    - SAI 31 – Federal Fund Overexpenditure restriction

- **32-38 – POTS** – These codes are used for allocating POTS across budget lines. Use Budget Event Types BG06/BG07 for transfers within the same budget structure and BG03 for transfers between budget structure 90/91.
    - SAI 32 – Salary Survey
    - SAI 33 – Merit Pay
    - SAI 34 – Health, Life, Dental (HLD)
    - SAI 35 – Amortization Equalization Disbursement (AED)
    - SAI 36 – Supplemental Amortization Equalization Disbursement (SAED)
    - SAI 37 – Short-term Disability (STD)
    - SAI 38 – Shift Differential

Summary of Spending Authority Indicators:

SAI	SAI Name	SAI	SAI Name
1	Long Bill	9	Year-End OSPB approved Transfers
2	Special Bills	10	Statutory
3	Supplemental Bills	11	Implied
4	Custodial	12 – 16	Departmental Restrictions
5	Rollforwards	17 – 21	Controller Restrictions
6	Capital Reversions	22 – 26	Governor Restrictions
7	Transfers	27 -31	Overexpenditure Restrictions
8	Capital Carryforwards	32 – 38	POTS Transfers

2.3 Recording the Long Bill

The Long Bill for the new year will be recorded in CORE using the Performance Budgeting (PB) module. This information will be reviewed by the Departments at various points in PB. Once approved, the Office of State Planning and Budgeting will forward the data to begin the detailed review by the Office of the State Controller. When this review is complete, the data will be interfaced to CORE as finalized BGA90/91 documents. Requests for coding for appropriation units and rollup codes should be sent to dpa_FARmailbox@state.co.us, and will be handled by the Financial Support Services staff. The Long Bill will be recorded in CORE as Event Type BG01 (Adopt), and SAI 1 (Long Bill). The target due date for this process is prior to June 30.

For more instruction, please see the OSPB website https://sites.google.com/a/state.co.us/core-site/home.

2.4 Recording Regular Supplemental Bills

The Supplemental Bills have been recorded in CORE using the Performance Budgeting (PB) module. This data has been reviewed by OSPB and OSC, and has been interfaced to CORE as finalized BGA90/91 documents. Requests for coding for appropriation units and rollup codes should be sent to dpa_FARmailbox@state.co.us, and will be handled by the Financial Support Services staff. In most cases, this activity is recorded as Event Type BG03 (Amend) and SAI 3 (Supplemental). Any adjustments to federal informational-only budget amounts will also have a Controller's Restriction (SAI 21).

For more instruction, please see the OSPB website: https://sites.google.com/a/state.co.us/core-site/home.

For information related to 1331 Emergency Supplementals, please see Chapter 2, Section 3.

2.5 Recording Special Bills

Special Bills will be interfaced in CORE in a similar way to the Long Bill. Requests for coding for appropriation units and rollup codes should be sent to dpa_FARmailbox@state.co.us. The special bills will be recorded in CORE as Event Type BG03 (Amend), and SAI 2 (Special Bills). The target due date for this process is prior to June 30.

For more instruction, please see the OSPB website: https://sites.google.com/a/state.co.us/core-site/home.

2.6 Recording Federal Spending Authority

Federal funds consist of informational only/nonappropriated funds and appropriated funds that include certain block grants and "M" headnoted line items.

Long Bill Informational Only and Nonappropriated Federal Funds
Federal funds in the Long Bill are often for informational purposes, as indicated by the (I) notation. As a result, the related spending authority is merely an estimate. Federal funds with the (I) notation will be 100% restricted (SAI 17 - 21, as applicable) through an OSC upload after the PB to CORE interface that identifies line items through an N or F appropriation category depending on the budget structure. Actual spending authority will be recorded through (1) an automated carryforward of unexpended federal budgets through the budget roll process that is anticipated to occur after period 14 (see 2.9 below), (2) submission of manual BGA documents as new awards are received, and (3) submission of manual BGA documents for expired awards not fully expended. The reservation will remain in place and is not reduced.

Long Bill Appropriated Federal Funds

Appropriated federal funds will not be restricted, as identified by an appropriation category of A or B, and will be available to support the related federal activity.

Whether appropriated or nonappropriated, federal funds may have additional attributes that impact how spending authority is recorded including entitlement funds and activity-based funds.

Entitlement Funds: Entitlement funds represent guaranteed reimbursement based on eligible transactions; for example, Medicaid funds. For these funds, the OSC must have on file program documentation substantiating the entitlement attributes of the funds to make adjustments to spending authority. To support an entitlement spending authority, provide the assumptions used to support the requested amount (prior year, caseload, projections, etc.). If the entitlement program is informational only and 100% restricted, spending authority can be rerecorded based on the Long Bill amount. Please note that on any manual BGA document impacting entitlement funds, please note “Entitlement” in the description field on each line of the BGA document.

Activity-Based Federal Funds: Activity-based funds represent situations where reimbursement based on something other than a federal award document. For these types of federal funds, an estimate may be recorded with documentation such as the prior year budget supporting the reasonableness of the amount requested. At year-end, any excess in these appropriations must be trued-up and reduced to zero. Both the estimate and the true-up must contain a notation of “Activity-Based” in the description. Also include "True Up" in the description when you are reducing the excess spending authority to zero.

2.7 Recording Statutory Spending Authority

Cash statutory spending authority will require manual BGA document submission based on the criteria noted for spending authority indicator 10. If activity-based, please include “Activity-Based” in the description field, similar to federal funds discussed in Section 2.6. A true-up will generally not be necessary.

2.8 Underearnings in the General or Capital Construction Fund

Underearnings of cash, reappropriated and federal funds for activity accounted for in the General or Capital Construction Fund indicate that General Fund resources were actually used to cover expenditures. When this occurs, departments must reclassify expenditures from cash, reappropriated and federal to general to represent the transactions as general-funded. Entries have to be complete by the close of Period 13.

2.9 Carry Forward of Spending Authority

After the close of Period 14, the Financial Support Services Unit will prepare budget documents to carryforward any unspent spending authority related to Federal non-appropriated budget lines, and for any unspent spending authority for continuing capital projects. These documents will be processed with BG04 (Carryforward) and SAI 4 (Custodial) for the Federal, non-appropriated lines, and BG04, SAI 8 (Capital Carryforward) for the capital construction lines.

2.10 Policy about Changing Appropriation Unit Rollups

During the last year, there were numerous issues caused by changing rollup codes (Appropriation Type, Appropration Class, Appropriation Category, or Appropriation Group), either mid-year or between years, using the same Appr Unit. The issues included problems with the AD document chain, as well as issues processing documents. To avoid these issues, please do not change any rollups for existing appropriation units. If you need to change a rollup code, please create a new appropriation unit with the appropriate coding.

2.11 Zero Dollar Budget Roll Process

The automated process to create new budget lines for the new fiscal year occurred in March. During this process, documents were created at the appropriation unit level using Department 999A in the header, and was reviewed by the departments. The departments notified the Financial Support Services Unit of the documents or lines that should not roll to the new fiscal year. These lines and documents were then discarded prior to the final roll, which was processed by CORE Operations.

2.12 Spending Authority Event Type Matrix

To assist in document preparation, the following table indicates proper combinations of Spending

Authority Indicators and Event Types.

Event Type → Spending Authority Ind. ↓	BG01 Adopt	BG03 Amend	BG04 Carryforward	BG06 Transfer In	BG07 Transfer Out	BG08 Deactivate	BG10 Delete
1 Long Bill	X [1, 2]						
2 Special Bill	X [1, 2]	X - Amending SB (uncommon)					
3 Supplemental		X [1, 2]					
4 Custodial		X - New Awards and Amended Awards	X - Carryforward of Award				
5 Rollforward			X - When recording the old year $0 document OR when recording new year rolled amount				
6 Capital Reversion		X - DECREASE budget to record a Capital Reversion					
7 Transfers	X - $0 Docs	X [3] - When Transfers Crossing Budget Structures		X [3] - INCREASE to INCREASE budget within the same budget structure	X [3] - INCREASE to DECREASE budget within the same budget structure	X - After reducing budget line to $0, INCREASE with a $0 amount to deactivate a budget line.	X - After reducing budget line to $0, INCREASE with a $0 amount to delete a budget line.
8 Capital Carryforward			X				
9 Year-End Transfer		X - Only when Transfers Cross Budget Structures		X - Only with Year End Transfers within the same Budget Structure	X - Only with Year End Transfers within the same Budget Structure		
10 Statutory	X - Initial	X - Amend Initial Budget (including (M) or (H) Headnote adjustments)	X - Carryforward Authority				
11 Implied/Inferred	X - Initial	X - Amend Initial Budget					
12-31 Restrictions		X - DECREASE budget to record a restriction; INCREASE budget to remove restriction					
32-38 POTS		X [2b] - Only when Transfers Cross Budget Structures		X [2b]	X [2b]		

*Scenario	Matrix
[1] When correcting Long Bill errors or recording VSCF (Various Source of Cash Funds) changes. Simply reverse the initial document and re-enter with correct information.	SAI 1 and BG01 (Long Bill) SAI 3 and BG03 (Supplemental Bill)
[2] When scenario includes VSCF **and** POTS transfers, please complete the following steps: Step [2a] - Transfer VSCF to appropriate funds, using SAI 1 and BG01 (if from Long Bill), or SAI 3, BG03 (if from Supplemental Bill) Step [2b] - After VSCF has been transferred out, complete the POTS transfer using SAI 32-38 and BG06/BG07 (or BG03 if POTS is crossing budget structures)	
[3] Changes between FUNDS only **OR** Changes in Appr Unit only and LB was booked correctly initially, including splitting out a line into multiple appropriation	SAI 7 and BG06/BG07 **OR** SAI 7 and BG03

CHAPTER 2: SECTION 3
REQUESTS FOR INTERIM SPENDING AUTHORITY AUTHORIZED BY CRS 24-75-111

3.1 Background

When the General Assembly is not in session, CRS 24-75-111 establishes a process to provide appropriation authority to state agencies because of unforeseen circumstances. Specifically, the OSC may allow department overexpenditures when approved by the OSPB, as applicable; the CDC, if related to a capital construction project; and the JBC in anticipation of an approved supplemental appropriation. This process is for use in emergency situations only.

3.2 Process For Submitting Requests

The processes for submitting requests for both non-capital construction and capital construction follow.

3.2.1 Non-Capital Construction Requests

Requests for interim spending authority should be consistent with all statutory provisions applicable to the program, function, or purpose for which the request is made, including the provisions of appropriation acts. This means the request should conform with or address existing statutes, Long Bill line items, the need for new Long Bill line items, and any related revenue source annotations associated with the original appropriation. All relevant documentation supporting the request should be included with the submission. Department staff should involve related contacts at the OSPB, the Joint Technology Committee (JTC), the JBC, and the OSC as they prepare requests so all of the central oversight agencies are aware of the request and may provide input into its preparation.

Once complete, requests for interim spending authority are submitted to the OSPB for review and approval. Once approved by the OSPB, the requests are forwarded from the OSPB to the JTC (if related to information technology), and then to the JBC for review and approval. Requests for interim spending authority submitted by the Departments of Law, Treasury, and State, the Judicial Department, and the General Assembly may be submitted directly to the JTC (if related to information technology), or the JBC for review and approval.

A request must be approved, in whole or in part, by a majority vote of the JBC. If approved, the JBC sends a letter to the State Controller notifying of such approval. The approval includes certification that the JBC intends to introduce a supplemental appropriation to cover the applicable fiscal year.

The OSC reviews and approves requests for interim spending authority based on the following factors:

a. Nature of the unforeseen circumstances and verification that an overexpenditure will result if the request is not approved before a supplemental bill is passed.

b. Compliance of the request with all relevant statutes, including existing appropriations acts.

c. Approval by the required central oversight agencies (the OSPB, the CDC, the JTC, and the JBC).

Should a request be denied, the submitting department may submit a revised request.

Upon approval, the OSC notifies the department and requests submission of appropriate BGA documents. A spending authority indicator of "3" should be used since the request will ultimately be approved by the General Assembly as a supplemental appropriation, and an Event Type of

BG03 should be used. In addition, add "1331" or "HB98-1331" to the House Bill field in the BGA document. Once the final supplemental request is approved, the BGA document recording the 1331 spending authority must be reversed exactly, and must include "1331" or "HB98-1331" in the House Bill field (See 3.3 below).

3.2.2 Capital Construction Requests

For requests involving capital construction projects, requests should be completed as described above. (The CDC and the Office of the State Architect staff should be included in discussions as appropriate.) However, once approved by the OSPB, capital construction requests are submitted to the CDC for review and approval. Requests for the Departments of Law, Treasury, State, the Judicial Department, and the General Assembly may be submitted directly to the CDC for review and approval. Once approved by the CDC, the CDC forwards the request with a letter signifying the CDC approval to the JBC. The process followed by the JBC is the same as for noncapital construction requests outlined in the previous section. When recording the 1331 spending authority, please use Event Type BG03, spending authority indicator "3", and make sure "1331" or "HB98-1331" are included in the House Bill field of the BGA document. Once the final supplemental request is approved, the BGA document recording the 1331 spending authority must be reversed exactly, and must include "1331" or "HB98-1331" in the House Bill field (See 3.3 below).

3.2.3 Information Technology Budget Requests

For requests involving information technology, HB 15-1266 establishes a new process. The same process above in 3.2.1 is followed, except that immediately before the request is submitted to the JBC, it must be approved by the Joint Technology Committee (JTC).

3.3 Follow-up and Final Resolution

The OSC maintains a log of all approved interim spending authority requests requiring action in the subsequent legislative session. The OSC provides a report detailing all approved requests to the OSPB and the JBC periodically throughout the year. During the legislative session, the OSC staff review all requests to ensure they are supported by approved supplemental appropriation acts.

Once all emergency supplemental bills have been approved, the OSC provides a final report to the OSPB, the CDC, and the JBC summarizing the status of all interim spending authority requests submitted during the year.

Once the supplemental appropriation act has been signed and loaded/entered into CORE, all BGA documents already processed related to 1331 emergency supplemental will need to be reversed entirely (decreased). This is necessary regardless of whether the original request was ultimately approved. Make sure to use the same Event Type (BG03) and SAI indicator (3) as the original document, and include "1331" or "HB98-1331" in the House Bill field. Include original document ID in the document description or document comments.

CHAPTER 3: SECTION 1
YEAR-END APPROPRIATION TRANSFERS AND OVEREXPENDITURES

1.1 Statutory Authority for Appropriation Transfers and Overexpenditures

The Colorado Revised Statutes contains two provisions intended to provide flexibility in dealing with overexpenditures. CRS 24-75-108 allows the Governor, or in the case of the Judicial Department the Chief Justice, to authorize transfers between like-purpose appropriations. This provision is not available prior to May 1 and is subject to a maximum statewide threshold of five million dollars. In addition to an increased limit, some exclusions to the definition of like purpose were removed effectively expanding the availability of this provision. CRS 24-75-109 allows the State Controller, with the approval of the Governor, to approve expenditures in excess of appropriations, this provision is not available prior to May 1 and shall not exceed three million dollars in any fiscal year. This section sets forth guidelines for agencies to request these approvals.

Wherever possible, overexpenditures should first be covered by transfers from an eligible budgetary line. If you have questions about which budgetary lines are eligible for possible transfer please refer to CRS 24-75-108. If you still have questions, contact you department's OSC Consultant or OSPB analyst.

Advance approval to transfer an appropriation or overspend a budgetary line is required. Release of disbursements against an overdrawn appropriation without prior approval will subject a fiscal officer to penalties per CRS 24-30-202(14). Overexpenditures not covered by the provisions of statute must be considered null and void ab initio per CRS 24-30-202(3).

Year-end diagnostic reports showing overexpenditures will be available and are updated daily throughout the year. All overexpenditures must either be cleared by proper accounting entries, or supported by an approved appropriation transfer or overexpenditure form.

Please make every effort to identify appropriation transfer needs and potential overexpenditures as soon as possible using the forms published on the OSC web site. The electronic forms are available at: https://www.colorado.gov/pacific/osc/financial-resources. If you determine that an overexpenditure is going to occur, but you cannot identify the exact amount, submit a form with an estimate as soon as possible. (See State of Colorado Fiscal Rules: Rule 7.4.) You need to submit a revised form by the date indicated in the open/close calendar. If the deadline for reporting overexpenditures or estimates of overexpenditures cannot be met, a department must provide sufficient written justification to the OSC for review by the State Controller. Your cooperation is necessary to determine whether or not the State as a whole is in compliance with the statutes.

The State Controller and the OSPB will approve or disapprove all transfer and overexpenditure forms by 08/26/2016. The OSC will notify you whether or not your request is approved.

1.2 Deficit Fund Balances

Deficit fund balances are reported in a note in the State CAFR. The abnormal balance report at year-end is the basis for identifying deficit fund balances. Statutory funds with cash funding source codes that have underearned revenue are not considered overexpenditures if the fund has sufficient fund balance to cover the underearning, however; funds with cash funding source codes that have underearned revenue and do not have sufficient fund balance will be considered an overexpenditure. Federal expenditures unsupported by federal revenue constitute an overexpenditure; they must be covered elsewhere in the budget or be reported as an overexpenditure. Departments that have deficit fund balances as of final year-end close must submit an overexpenditure authorization form. Note that pension liabilities reducing fund balance as a result of the implementation of the GASB 68 pension standard are not factored into deficit fund balances for overexpenditure per review by the Attorney General's Office (Note: The State Controller cannot approve an overexpenditure that results in a deficit fund balance per CRS 24-75-109(2)(b)). The deficit fund balance will be reported in the Governor's Overexpenditure Letter and require an overexpenditure restriction as if it was a spending authority overexpenditure.

1.3 Overexpenditure Restriction

1. If the overexpenditure is approved, CRS 24-75-109(3) requires that a like amount be restricted in the year following the overexpenditure. Your department will be notified of the amount approved and asked to enter the necessary budget documents.

   Overexpenditures of nonappropriated funds are reported to the Governor by the State Controller when the overexpenditures are significant, appear to be ongoing, are related to a sensitive activity, or for other reasons determined appropriate by the State Controller. You will be contacted by your OSC Consultant if an overexpenditure form is needed for nonappropriated overexpenditures.

2. As required by statute, related accounts for FY2016 will be restricted as an Overexpenditure restriction. The deadline to record is outlined in the open/close calendar. Depending on the type of funding you're using, one of the following SAI (Spending Authority Indicator) on your budget document with Event Type BG03:

   - SAI 27 – General Fund Restriction – Overexpenditure
   - SAI 28 – General Fund Exempt Restriction – Overexpenditure
   - SAI 29 – Cash Fund Restriction – Overexpenditure
   - SAI 30 – Reappropriated Fund Restriction – Overexpenditure
   - SAI 31 – Federal Fund Restriction - Overexpenditure

CHAPTER 3: SECTION 2
REQUESTING ROLLFORWARD OF APPROPRIATION AUTHORITY FROM FY2016 TO FY2017

By state law, unexpended annual appropriations expire at the end of each fiscal year and do not carry over to a subsequent fiscal year, unless otherwise authorized by statute. The State Controller may approve the rollforward of unexpended annual appropriations as provided by State of Colorado Fiscal Rule 7-3 under the following circumstances:

- The appropriated funds have been legally committed by purchase order or contract and there are extenuating circumstances that warrant carryover of the remaining appropriation (this applies to both external vendor and internally to other state departments),
- There is **express** legislative intent that allows the rollforward of spending authority. The State Controller cannot rollforward an appropriation based on *implied* legislative intent.
- The appropriated funds have been legally committed by purchase order or contract with Colorado Correctional Industries (CCI) and delivery is reasonably anticipated within 60 days of fiscal year-end.
- The appropriation is from the capital construction fund.

Due to continuing demands on resources, as communicated to department controllers in Alert #201, agencies are encouraged to seek legislative approval through the addition of letternotes for any general-funded requests, including purchases from CCI.

Additionally, the rollforward process will be used for any purpose for which General Funds or Capital Construction funds should rollforward, outside of the parameters of the Fiscal Rule as an administrative tracking mechanism. For example, remaining unspent custodial funds recorded in the General Fund would qualify for this treatment. Please mark these requests as "extenuating circumstances" on the form.

The State Controller cannot rollforward an appropriation based on *implied* legislative intent.

2.1 Rollforward of Appropriated General and Cash Funds

A rollforward of an unexpended appropriation may arise out of timing problems associated with completing a legislatively authorized project within a single fiscal year. Rollforward requests are **required** to extend appropriations funded from general, cash, or reappropriated fund sources beyond the initial appropriation year. A rollforward request will not be considered when it represents an effort to capture unexpended balances for general operations or when an adequate appropriation is available in the next fiscal year for the same purpose. Each rollforward request must include both adequate justification and documentation of the issue(s) that prevented the expenditure of funds within the current year. Final approval of general-funded rollforwards requires that adequate General Purpose Revenue Fund balance is available to support the request.

A rollforward request is not required for custodial funds (e.g., federal funds), unless there is a requirement that the funds be appropriated. Although a request is not required for custodial/statutory carryforwards, a budget document must be completed by mid-August per the open/close calendar for fund balances in funds 1000, and 4610. Additionally, a JV1STND document using Event Type XG30 must be completed, which flags the usage fund balance. Otherwise, balances will be swept in the reversion process. Note that a rollforward request is required for encumbered Tobacco Settlement money that is allowed per the statute creating the program.

2.2 Procedures for Appropriated General and Cash Fund Rollforward Requests

Coding for rollforwards do not require specific blocks of coding for each department. The OSC has set aside funding source codes 910 – 929 as the last three digits of the Appropriation Types, to distinguish the rollforward Appropriation Type from other Appropriation Types.

Complete the rollforward request form found on the OSC's website at https://www.colorado.gov/pacific/osc/financial-resources accompanied by proper and complete documentation. Agencies will be responsible for numbering their own rollforward requests. The numbering convention to be used is the four-character, alpha department code followed by sequential numbers (i.e., AAAA1, AAAA2, AAAA3, etc.). The OSC will use these numbers throughout the process. Rollforward request must be submitted to your OSC Consultant no later than the close of period 12, July 22, 2016.

Separate rollforward request forms must be submitted for each appropriation code. The form requires the listing of funding sources by general exempt, cash funds, or reappropriated. Only federal funds subject to appropriation per the Long Bill headnotes are included on this form; other federal funds and custodial funds are not included on these forms.

Proper documentation is necessary to explain and support the request. Proper documentation may come in various forms such as a letter explaining that an item on a purchase order, which under normal circumstances would have been delivered prior to June 30, has not been received. Please include a copy of the original encumbrance document with this type of request. If the justification for the rollforward is express legislative intent, please include a copy of the statute or Long Bill letter note or footnote that allows the funds to be rolled forward.

Separate appropriation codes need to be established for each rollforward request. Send an email request to DPA_FARmailbox@state.co.us to establish the rollups for your appropriation code. Note that the Appropriation Category on all roll-forward appropriations is N for non-appropriated. Submit a zero-dollar BGA document for the new established appropriation code prior to the purchase order roll process On July 22, 2016 in order to have purchase orders or contract encumbrances rolled forward into the new fiscal year. The increase in spending authority should always be non appropriated general exempt or cash. The following table provides agencies with guidance on how general and cash funds should be rolled forward based on the original appropriation type, the fund in question, and the earnings status of the amount to be rolled at year-end.

Original Appropriation Type	Fund 1000 Roll As	Funds 1010 - 9999 Roll As
General Funds	General Funds Exempt	N/A
Cash/Reappropriated Funds Already Earned	Cash Funds / Nonappropriated	Cash Funds / Nonappropriated
Cash Funds Not Yet Earned	Cash Funds / Nonappropriated	Cash Funds / Nonappropriated
Reappropriated Funds Not Yet Earned	Cash Funds / Nonappropriated	Cash Funds / Nonappropriated

- The request should be attached to a budget document with a "5" spending authority indicator , with a decrease of the amount requested to rollforward into the subsequent year and use the budget line coding of the line from which a rollforward is requested. The approval of this budget document serves as approval of the request. The department will be notified if the document is not approved.
- Departments requesting reconsideration of denied requests should submit any additional justification and or documentation directly to the State Controller.

To avoid delay in processing any rollforward request, the request forms must be properly completed and properly documented in accordance with the above instructions. Rollforward requests with insufficient documentation or justification will be disapproved. It is not necessary to round up on your rollforward request, decimals are permittable. Rollforward requests must be received at the OSC no later than August 15, 2016. Email all requests to dpa_FARmailbox@state.co.us. The OSC anticipates processing the rollforward budget requests prior to Period 2 close. If you have questions please call your OSC Consultant.

To record the rollforward in FY2017, complete a BGA document with an Event Type of BG04 – Carryforward and an SAI of 5 for Rollforwards in the rollforward budget coding. Cross-reference the rollforward number in the House Bill field as outlined in the rollforward instructions to the form. The BGA document should be in the amount of the approved carryforward or less if the actual amount remaining is less than the estimate. If the actual amount of the funds to carryforward is more than the approved amount, a new carryforward request will be required. If the basis of the unexpended appropriation is fund balance, department will need to submit a JV1STND with event type XG30. Failure to record a JV1STND for previously earned revenues (RSRC 9523) in Fund 1000 could result in the unintended reversion of the spending authority, leaving the rollforward appropriation unfunded.

In certain instances a department may have multiple-year contracts extending beyond the current fiscal year that will require the rollforward of the current year appropriation. This includes late contracts that require an amendment to extend the performance period beyond June 30 into the next fiscal year. In these situations it is critical that both the contract/amendment and the rollforward be evaluated and approved at the same time. Therefore, if a department submits a contract to the OSC that will require a rollforward of current year appropriation, the department must also submit a completed rollforward request along with the contract. The OSC Central Contract Unit (CCU) will then work with the related OSC Consultant and the State Controller to evaluate the contract and the rollforward request together.

It is important to note that if the OSC approves a multiple-year contract it is assumed that any funding beyond June 30 of the current year will come from appropriations in the subsequent fiscal year. Contract provisions, unexpected circumstances, and other mitigating factors will be evaluated as part of the approval process and all such items should be clearly communicated to the OSC with the contract and the rollforward request. Communication on these types of contracts should occur as soon as possible after they are identified by the department.

When state departments route contracts to the central approvers that are contingent upon an approved spending authority rollforward they should attach a copy of the rollforward request. This will ensure that they are delivered to the OSC for review by the CCU and the Consultant in a timely manner.

In addition, the OSC CCU may identify contracts submitted within 60 days of June 30 that they believe may need a rollforward. In these instances, the department will be contacted to determine whether a spending authority problem exists for the current fiscal year or whether a rollforward is needed for the following year.

2.3 Rollforwards from the Reappropriated Column of the Long Bill

When a department has a rollforward request that is from the reappropriated column, both state departments – the one spending the funds and the one providing the funding - must submit a rollforward request.

CHAPTER 3: SECTION 3
CLOSING ACCOUNTING ISSUES

The material in this section has several intended purposes:

- Assist agencies in developing uniform year-end accounting procedures.
- Inform agencies of significant accounting changes that impact year-end financial reporting.

Each department is responsible for accurate, timely, and complete year-end accounting. These procedures are applicable to all state agencies in the legislative, judicial, and executive branches of government.

3.1 Preparing Accounting Estimates

Agencies should review their current accounting estimation procedures to ensure they are consistent with this guidance. If more estimates are necessary to meet the closing timetable, this guidance will serve as a standard for developing processes to prepare those estimates. If an department follows this guidance and produces an estimate that subsequently proves to be inaccurate, the department will be supported by the standard. The revenue and expenditure accrual estimation methodologies need to be documented so the process and source data may be used from year to year to achieve consistency and improve the estimation methodology. An inaccurate estimate may indicate the need to research variances and use a different methodology that produces a more accurate estimate, within the given time and resource constraints. Each department is expected to strive to improve its estimation process between closings with the objective of improving accuracy over time. Since agencies must enter information into the State accounting system well before financial statements are produced, and they are precluded from changing these entries after the close of Period 14, agencies are only responsible for providing estimates based on the best information known prior the statutory close date.

3.1.1 Estimation of Accrued Expenditures

Agencies are required to accrue all known liabilities at year-end. In addition, agencies must report contingent liabilities in accordance with GASB Statement No. 62. As part of the year-end close process, some liabilities must be estimated. Agencies should make year-end estimates based on situations, circumstances, and documented evidence known before issuance of the financial statements. If there is a reason for a significant deviation from the historical methodology, the reason should be documented (e.g., a change in the weather from prior year would be a reason to deviate from the department's utility bill of the prior year, if all other factors remain constant).

3.1.2 Estimation of Accrued Revenues

Agencies are required to accrue revenues in accordance with GAAP and the revenue recognition criteria applicable to the fund for which the accrual is made. Estimates of accrued revenue are calculated based on situations, circumstances, and documented evidence known before the issuance of the financial statements. Should current events suggest a need to deviate from a historical information source, that change and the need for it should be documented.

3.1.3 Continuous Improvement of the Estimation Process

In order to assess the reliability of the estimation process and improve that process in successive years, agencies should compare accounting estimates with subsequent results. Agencies may want to refer to Statement of Auditing Standards (SAS) No. 57 to better understand the relevance of such a comparison.

3.2 Accounts Payable Accruals

FY2016 payments must be entered on or before the mid-July date established in the open/close calendar. Payments with a June 30 effective date and FY and BFY of 2016 will automatically record a liability in the vouchers payable account 2100 for FY2016. Because of the time involved in closing and feeding higher education accounting information to CORE, internal transactions involving higher education institutions must be processed as indicated in the open/close calendar.

ITI / ITAs should be coordinated with the other department involved, and can be processed through period 13 close with event types that transfer cash. After period 13 close, internal accounts payable/receivable accruals must be completed on ITI / ITA documents that use due to / due from offsets and a payable/receivable confirmed with the controller of the other department. Agencies are encouraged to finalize the confirmations as soon as possible. The internal payable/receivable confirmation form found on OSC's website in the Financial Statement Exhibits section at: https://www.colorado.gov/pacific/osc/financial-resources must be used to confirm your internal receivables and payables and submitted to the OSC by Period 14 close.

For goods and services received from sources other than state agencies on or before June 30, that have not been paid via a payment document including credit card purchases by the cutoff date published in the open/close calendar, an accounts payable accrual must be recorded in Period 13 using an ACC manual accrual document to record the accrued expenditure and create the appropriate Accounts Payable (using liability BSA codes 2xxx). Payable accruals should not be done on a JV type document. Documentation to support the payables should be retained in the department for audit purposes. Do not accrue payables just to expend the balance of an appropriation. Conversely, all payables must be recorded even if it will result in an overexpenditure. Because of the impact on the computation of available fund balance, it is essential that any payables accrued in the Regular Capital Projects (Fund 4610) and General Purpose Revenue Fund (Fund 1000) are valid.

Payable accruals must be fully reversed using an ACL manual accrual reversal document. It is important that the accrual be fully reversed to support both 1099 reporting and the automation of accrued receivables that are generated in the reimbursement cycle. The ACL is created by a copy forward from the ACC document (do not modify dates) and must be recorded in Period 1 of the opening year by the end of Period 13. This is necessary because the ACL creates the cash expenditure in closing BFY which is necessary capture matching receivable accruals (RE documents) for grants. The postings created by the ACL all occur in the new FY and include:

Dr. Accounts Payable
    Cr. Accrued Expense

Dr. Cash Expense (closing year BFY)
(Generates closing FY RE or accrued receivable)
    Cr. Fund Balance

Dr. Fund Balance
    Cr. Cash Expense (new year BFY)
    (Generates reversing new FY RE or accrued receivable reversal)

In conjunction with the ACL, a new year payment document will be processed as normal against expenditure coding to clear the accrual reversal in the new year and generate the actual receivable.

Accounts payable adjustments relating to the closing fiscal year should be completed by September 30. Accounts payable should be fully reversed, with the exception of the certain long-term payables outlined in Chapter 1, Section 2.12. When clearing accounts payable that are the result of over accruing expenditures in a prior fiscal year, it is important to note that ACL clearing process clears the payable to zero; therefore, it is a credit in cash expenditures (rather than the payable) that must be debited for the over accrued amount. It is also important to look at the funding source of the accrued expenditures.

1. If the expenditure was against a general, cash, or reappropriated appropriation, revenue source code 830A should be credited and cash expenditures debited. If the activity is in Fund 1000, appropriation unit xxxxx9999 should be credited (JV1STND & JVC Event Type XG33).
2. If the expenditure was against a federal fund appropriation, the expenditure of the federal appropriation should be credited and cash expenditure debited (JV1STND & JVC Event Type XG34). An exception may exist if the federal grant is closed. In this case, you will need to coordinate with the federal agency the return of the federal funds (JV1STND& JVC Event Types XG35 or XG36, as appropriate).

Note that if the payable reversion document is not completed at the time of payment, there will be a timing discrepancy in the related receivable documents. If the payment is done after the ACL, the receivable will be understated until the reversion document is complete if the accruals are done with regular grant coding.

Additionally, salaries, if material, from the last pay period end date to June 30 and CCARD purchases after the June statement cutoff date to June 30 should be accrued using an ACC document and reversed with an ACL document as described in this section.

3.3 Accounts Receivable and Tax Accruals

In all funds, accounts receivable should be recorded when the related revenue is earned, but not yet collected, or it has been determined that there is a valid debt owed to the department. In a governmental fund, in order to record a receivable, it must also be susceptible to accrual, meaning both measurable and available. Measurable means that a reasonable estimate of the amount due can be made. Available means the receivable will be collected in time to be used to fund expenditures within the next fiscal year. If the collectability of the potential receivable is questionable, the department needs to evaluate if a receivable should be recorded.

Receivables recorded in governmental funds that are not expected to be collected or are not due within the next fiscal year should not be recorded as current accounts receivable. Instead, they should be recorded as long-term receivables with an offset to a deferred inflow of resources. However, the deferred inflows related to these long-term receivables must be recognized as revenue under the full accrual basis of accounting. The year end entries to recognize this revenue are recorded in the General Full Accrual Account Group (GFAAG – Fund 4710). In the following example $250 of taxes receivable are accrued but $75 dollars is not expected to be collected until after the following fiscal year. Under modified accrual, as practiced by governmental funds, that amount should not be recognized as it is not available for appropriation in the subsequent fiscal year. In Fund 4710 the deferral is reversed so that when Fund 1000 and Fund 4710 are combined at the government-wide level, the deferred inflows are zero and the revenue is recognized.

	FUND 1000		FUND 4710	
Taxes Receivable	250			
Tax Revenue		175		
Deferred Inflow of Resources		75		
Deferred Inflow of Resources			75	
Tax Revenue				75

The recording of the entry above assumes the prior reversal of the prior year's accrual. The impact of the reversal and the current year end entry results in revenue recognition to the extent of the change in the deferred inflow accounts. Departments are required to reverse receivable accruals, except as identified in Chapter 1, Section 2.12.

Generally Accepted Accounting Principles (GAAP) specify that governmental funds usually record miscellaneous fees and fines on the cash basis. However, it is the State Controller's policy that agencies use their professional judgment to determine if these items are measurable and available, and therefore, should be recorded as revenue and receivables before receipt of the cash.

In general, receivables should not be recorded with a credit to the allowance account for the total amount of the receivable.

Aging of accounts receivable is required by the Department of Personnel's Accounts Receivable Collections Administrative Rule. Section 2.20.02 of the rules requires a monthly "aged" trial balance of all accounts receivable included in total gross accounts receivable. The year-end "aged" trial balance should be maintained by the department for audit and other reporting purposes.

3.4 Accounts Receivable Allowances

Allowances for uncollectible receivables may be established at any time during the fiscal year. Factors including, but not limited to, the age of the receivable, payment history, and financial condition of the debtor should be considered in making an allowance determination. The following guidance is supported by GASB Q&A7.40.3 and 7.72.2. When establishing or increasing a receivable allowance account related to revenue earned in the current fiscal year, the debit should be made to the related revenue source code. The same should occur related to revenue earned in the prior year, but the offset should impact nonbudgeted revenue. For receivables for which there is no related revenue, such as for a loan or note receivable, the debit is coded as an expenditure and object code 4120 "Bad Debt Expense."

3.5 Accounts Receivable Write-Offs

An accounts receivable may be written off as set forth in the "Department of Personnel & Administration's (DPA) Accounts Receivable Collections Administrative Rule" and write-off policy in section 4.00. Write-offs should be recorded as a credit to the appropriate accounts receivable account and a debit to the allowance account. For accounts not fully allowanced, the offsetting debit is generally a reduction in revenue, and should be treated consistently with the guidance provided in Section 3.4 of this chapter.

3.6 Reconciliation of Past Due Accounts Receivable Assigned to Central Collection Service

The Central Collection Services (CCS) Client Inventory Report is available at fiscal year-end close. This monthly report of active accounts is used to reconcile your CORE records to CCS records for receivables remitted to CCS for collection. Reconciliations should be kept at your department for audit purposes and not be sent to the OSC. Discrepancies need to be resolved directly with CCS.

3.7 Credit Cards

CRS 24-19.5-101 allows state agencies to accept payments by credit card. The State Controller has adopted the following policy regarding payments received by credit card.

- If the full amount of the payment to the State is received from the customer and the department subsequently disburses bank fees, or otherwise provides funds for the bank fees, the department shall record the revenue gross and the bank fee as an expenditure. Object code 4105 - Bank Card Fees has been established for this purpose. When the fee has not been specifically budgeted to the department, then the department may use an non budgetary entry (which does not reduce available budget) to expense the bank fee.
- When the department receives the payment net of the bank card fees, then the department shall record the revenue gross and the bank card fee as a debit to revenue in either 5208 - Credit Card Fees Nonexempt or 5209 - Credit Card Fees Exempt. Nonexempt or exempt

classification is dependent on the nonexempt or exempt status of the revenue collected in the transaction.

Questions about this policy may be directed to your OSC Consultant.

3.8 Augmenting Revenue

Prior to final closing, each augmenting revenue account should be analyzed and necessary adjusting entries made. These revenues may be from federally sponsored programs or cash sources, such as, department charges for goods and services. If the revenue is from a reimbursement type grant, the federal revenue accruals should be based on the federal matching rate applied to the related expenditures. For nonreimbursement grants, apply the appropriate revenue recognition criteria in GASB Statement No. 33, as amended by GASB Statement No. 65. Other department cash funded revenue accounts should reflect only the actual earned revenue.

In funds supported by general-purpose revenue (funds 1000 or 4610), an underearning of augmenting revenue may create an overexpenditure in these funds. With the policy decision to move to positive coding, overexpended amounts due to underearnings of cash, reappropriated and federal sources in these funds must be reclassified as general fund exempt expenditures by Period 13 close.

It is important that you carefully review each augmenting revenue balance to be sure that it is correct. In addition, it is important not to over accrue federal revenue since it will revert to fund balance. To reserve earnings in the General Fund (1000) from custodial sources, a JV1STND using event type XG30, revenue source code 9523, must be prepared to designate the use of fund balance so that it can be excluded from the reversion calculation. These entries must be completed by the mid-August open/close calendar date to ensure funds are not inadvertently reverted.

3.9 Fixed Asset Inventory

Furniture, equipment, and other fixed assets having a useful life of more than one year and an acquisition cost of $5,000 or more per unit should be inventoried annually. If time does not permit the taking of a physical inventory on June 30, it is permissible to take the inventory at or after March 31 and adjust for additions and deletions occurring from the date of the physical inventory until June 30. The Office of the State Auditor should be advised if you elect to take inventory prior to June 30. These assets should be recorded in CORE using the General Full Accrual Account Group (Fund 4710), with the exception of enterprise, internal service, higher education institutions, and trust fund assets that are recorded in their respective funds.

In order to accomplish the fixed asset inventory, a report of assets by custodian has been developed in Info Advantage. The report can be found in Info Advantage / public folders / CORE Reports / Statewide Reports / Fixed Assets / FA-SR-001 Detail Fixed Asset Transaction, tab titled by Custodian..

If there are discrepancies in the Fixed Asset inventory please make adjustments using documents within the CORE Fixed Asset Module. Please see specific instructions regarding Fixed Asset documents, and making changes needed to Fixed Assets at the CORE website, http://core.state.co.us.

3.10 Cash Deposits with the State Treasurer

The State Treasurer must receive all walk-in cash and/or check deposits by 2:00 p.m. on the last working day of June. Any walk-in cash and/or check deposits received after 2:00 p.m. on the last working day of June are recorded in the next fiscal year.

Departments that have funds on deposit in department bank accounts may choose to wire or book transfer cash from the department account to the Treasurer's operating account on the last business day of June in order to have the balance included in the 1100 - TREASURER'S OPERATING CASH account for the closing fiscal year. All ACH transfer documents must be processed on CORE and ready for Treasury to approve no later than 11:00 a.m. on the day prior to the last business day of June (Treasury email address treasurycashiers@state.co.us). Any money remaining in the department bank account at the end of business on the last business day of June must be shown on CORE in a 10*xx* account and included on the departments Exhibit M. No amount should be reported in Balance Sheet code 1013 – Cash in Transit to Treasury at the close of the fiscal year. This procedure will ensure that bank statements as of June 30 agree with State Treasurer's operating cash and department cash on deposit. All wire transfers for the closing fiscal year grant drawdowns must be initiated with enough lead time to ensure that cash is received and credited to the Treasury operating account by the last business day of June. If your department needs wire, ACH, or book transfer assistance please call the Treasury at 303-866-4948 or 303-866-2440. If you complete your own wire transfers, verify with your bank the time and amount of the wire.

A cash receipt (CRx document) for claiming deposits must be finalized for the State Treasurer approval by the day prior to period 12 close. Once cash is claimed, it may then be distributed between funds. This distribution should be made as soon as possible after July 1 but no later than period 12 close since average daily balances in department accounts are not affected for purposes of interest calculation until the distribution has final approval.

If you have any questions regarding this procedure, please contact the accounting section at the Treasury (303-866-4948 or treasurycashiers@state.co.us) or OSC Consulting & Analysis Unit controller.

3.11 Compensated Absences Accrual

Under the requirements of GASB Statements No. 34 and No. 35 and GASB Interpretation No. 6, the liability for compensated absences is only a fund liability in the governmental funds if it is due and payable by June 30. The liability at June 30 (as computed below) is a fund liability for the proprietary and trust funds using full accrual accounting, but not for the governmental funds, which use modified accrual. The governmental funds will record their liability in Fund 4710 less any payables recorded in the governmental fund at June 30.

Departments may calculate their compensated absences balances at the end of periods 09 (March), 10 (April), or 11 (May) and make adjustments for material changes occurring through June 30. The salary amount used to calculate the liability must be the employee's salary at June 30. An averaging technique for a group of individuals may also be used when that calculation results in a reasonably accurate estimate.

In conjunction with PERA's latest actuarial valuation, PERA's actuary, Cavanaugh Macdonald Consulting, LLC provides the OSC with the percentage of state employees expected to retire with PERA benefits. Seventy percent (70.0%) of State Troopers and fifty-six and five-tenths percent (56.5%) of other State Division members are expected to retire with PERA benefits. Please note that these percentages are different that those used in the prior year and must be used in computing this year's sick-leave related portion of the compensated absences liability.

The calculation of the compensated absences liability includes:

- The value of annual leave should be computed as the total days earned, but not taken, times the salary rate per day in effect at the close of the fiscal year. The annual leave accrual also includes the State share of PERA, FICA, or other retirement programs as appropriate. The PERA percentage is 19.25 percent of salary, except for state troopers and CBI agents for whom it is 21.95 percent, and Judicial Branch judges for which it is 17.36 percent. For employees hired after March 31, 1986, the state share of Medicare taxes of 1.45 percent of salary is added to the accrual.

- The value of the vested sick leave accrual should be computed as follows: 25 percent of the total number of sick leave days (not to exceed 45 days plus sick leave earned prior to July 1, 1988) earned but not taken by employees at the close of the accounting period, multiplied by the percentage of current employees covered by PERA that are expected to retire from state service, multiplied by the salary rate per day in effect at the close of the fiscal year. The sick leave accrual does not include the state share of PERA, FICA, or other retirement plans since the state share is not paid out at retirement. For higher education employees who are covered by retirement programs other than PERA or FICA and who have vested sick leave retirement benefits, the employer should make a compensated absences accrual to assure that the appropriate liability is recorded per GAAP.

The increase or decrease (net change) to the compensated absence liability as of June 30, is recorded as follows:

- Funds using modified accrual (governmental funds):
  - In Fund 4710, record either an increase or decrease in the compensated absences using JV1STND, event type XG14 as:
    - A debit or credit as appropriate to an unbudgeted posting code and object code 1810-Comp Absence - Annual Leave and 1820 - Comp Absence - Sick Leave, and
    - A debit or credit as appropriate to 2910 - LT Compensated Abs Liability - Annual Leave and 2920 - LT Compensated Abs Liability - S/L.
- In a governmental fund where the amount was payable at June 30, but not paid using ACC document to record:
    - A debit to budgeted posting code and object code 1810 - Comp Absence - Annual Leave and 1820 - Comp Absence - Sick Leave, and
    - A credit to balance sheet account - 2440 Current Compensated Absences
- Funds using full accrual (proprietary and trust funds). In the proprietary fund record an increase or decrease in the compensated absences record using JV1STND, event type XG14, the debits and credits as described above for governmental funds.

In all funds, including Fund 4710, any portion of the liability that is current (expected to be paid in the next fiscal year) should be reclassified to liability account 2440 - Current Compensated Absences. This means that each department is likely to have both current and long-term liabilities for compensated absences. If the current portion is estimated for the retirements to occur in the next year, the long-term liability will be the difference between the current portion and the total liability. Reasonable estimates should be used to allocate the liabilities between the current and long-term portions.

3.12 Pollution Remediation Liabilities

GASB 49 addresses accounting and financial reporting standards for pollution remediation obligations (PROs), including contamination, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups.

Once any one of five specified obligating events occurs, a government is required to estimate the components of expected pollution remediation outlays and determine whether outlays for those components should be accrued as a liability or, if appropriate, capitalized when goods and services are acquired. Obligating events include the following:

- The government is compelled to take pollution remediation action because of an imminent endangerment.
- The government violates a pollution prevention–related permit or license.
- The government is named, or evidence indicates that it will be named, by a regulator as a responsible party or potentially responsible party (PRP) for remediation, or as a government responsible for sharing costs.
- The government is named, or evidence indicates that it will be named, in a lawsuit to compel participation in pollution remediation.
- The government commences or legally obligates itself to commence pollution remediation.

Calculating the PRO

When an obligating event occurs, a department must recognize and disclose the PRO. The department must estimate the amount based on the current value of outlays expected to be incurred to settle the liability and is required to use the expected cash flow technique. The expected cash flow technique is a weighted average of the probability range of outcomes or data points. For example, a PRO is estimated as having a 10% chance of costing $10 million (worst case), a 10% chance of costing $2 million (best case) and an 80% chance of costing $5 million (most likely). The ECF would give a result of (.10 * 10,000,000) + (.10 * 2,000,000) + (.80 * 5,000,000) or $5,200,000 as a liability.

Any recoveries, whether from insurance companies or other PRPs, should be considered when calculating the PRO. If the recovery is not yet realized or realizable, the amount of the expected recovery should be netted against the PRO. If the recovery is realized or realizable, it should be recognized separately from the PRO, not as a reduction to the overall liability, but as a recovery asset (i.e., cash or receivable).

Agencies are required to remeasure the liability each time the clean-up effort approaches one of the recognition benchmarks in the standard or as more information becomes available. In limited circumstances (e.g., a building used to coordinate Pollution Remediation activities has a future alternative use after the activity ceases), PROs may be capitalized (please see GASB Statement No. 49, paragraph 22 for additional information).

Accounting for the PRO

The liability should be booked as follows:

Governmental Funds – Amounts for goods and services only expected to be liquidated with expendable available financial resources should be booked as liabilities upon receipt of the goods and services. The accumulation of resources for the eventual payment of the PRO does not result in an additional governmental fund liability. Both the current and long term portion of the related PRO liability should be recorded in Fund 4710.

Example – A department signs a contract on 6/01/15 with the EPA agreeing to pay $1.0 million per year for three years for a pollution remediation obligation. The department was invoiced $25,000 for work completed prior to 6/30/15. The department has a governmental fund 1*xxx*. The accounting would be as follows:

In Fund 1*xxx* (goods and services), with an ACC document:

- Debit (Expenditure) to object *xxxx* for $25,000
- Credit (Liability) to balance sheet 2120 as accounts payable for $25,000

In Fund 4710 (PRO: original recording of current and noncurrent amount), with a JV1ADVN document:

- Debit (Nonbudgeted) to object *xxxx* for $3.0 million
- Credit (Liability) to balance sheet 2985 for $2.0 million
- Credit (Liability) to balance sheet 2785 for $1.0 million

In Fund 4710 (PRO: adjustment for liability reduction for completed work), with a JV1ADNV document:

- Debit (Liability) to balance sheet 2785 or 2985, as appropriate, for $25,000
- Credit (Nonbudgeted) to object *xxxx* for $25,000

Proprietary Funds – As a program or operating expense or as a special or extraordinary item (if it meets the criteria for those items). The expenditure is booked as a budged or nonbudgeted expense with an offset to the liability. The use of a nonbudget posting code is dependent upon whether or not the liability has been budgeted for in the Long Bill. If a nonbudget posting code is used and budget is subsequently recorded, the expenditure needs to be reclassified by debiting a nonbudget posting code and crediting a budgeted posting code for the budgeted amount. This will ensure proper recognition under the budget and have no effect on fund balance in the current year.

Proprietary funds would book the expenditure/liability combination in the fund for the entire amount, segregated between current and long-term as necessary.

Please note that the object code used depends upon the nature of the expenditure – personal services, supplies, equipment, etc. The OSC has created two liability accounts, 2785 – Pollution Remediation Obligations – Current and 2985 – Pollution Remediation Obligations – LT.

Recoveries should be accounted for as follows (Governmental Funds should use either fund 1xxx or 4710 to mirror the booking of the expense/liability as discussed above):

Realized/Realizable in the year the expenses and liability are booked:

- Debit cash or receivable
- Credit expense

Realized/Realizable in years after the expenses and liability have been booked:

- Debit cash or receivable
- Credit liability 2785 or 2985

Realized/Realizable - post-remediation, after the liability has been liquidated:

- Debit cash or receivable
- Credit revenue source code 5880

Not Realized/Realizable (if the liability has already been recorded):

- Debit liability account 2785 or 2985
- Credit expense

Realized or realizable recoveries recorded after the liability is no longer on the books, regardless of source (i.e. PRP, insurance, etc.), should be booked as revenue source code 5880 – Pollution Remediation Recoveries with an offset to either cash or a receivable as appropriate.

3.13 Prepaid Expenses and Consumable Inventories

Department policies for recording prepaid expenses at June 30 should be reviewed and applied on a consistent basis from year to year. Prepaid expenses should be recorded if the amount is material and if the entire amount of the payment is attributable to the following year. If a significant and material portion of a payment is attributable to the following year, recording a prepaid expense for that portion should also be considered for recurring payments such as leases, dues, maintenance agreements, etc. Where the amount expensed from year to year is essentially the same, recording a prepaid amount may not be necessary. In all cases, "advance payments" should be closely reviewed to ensure that they are required by "contract terms" and are approved by the State Controller or delegate.

All agencies should record on their balance sheet on the last business day of June significant supplies or other consumable inventories. Significant for this purpose is defined as inventories totaling $100,000 or more per location. Agencies may record inventories under $100,000 at their discretion. However, agencies should be aware that increasing the threshold from a lower number to $100,000 requires expensing the difference against current budget. All inventories recorded on the balance sheet must be physically inventoried regardless of dollar amount (see inventory requirements below). If inventories under $100,000 are not included on the balance sheet, the OSC does not require them to be inventoried. However, the department may decide to conduct a physical inventory count for management purposes. In all cases, internal policies and procedures related to consumable inventories should be consistently applied from year to year, and the recorded balances of such inventories are subject to verification and audit.

Inventories greater than $100,000 per location must be inventoried annually. Recorded inventories less than $100,000 per location must be inventoried at least biennially. Estimates of changes in value should be booked in the year a physical count is not taken.

All inventories should be taken at year-end. However, if time or resources do not permit the taking of a physical inventory at year-end, it is permissible to take the inventory at the end of periods 09 (March), 10 (April), or 11 (May) and adjust for additions and withdrawals occurring from the date of the physical inventory until June 30.

Other inventory schedules may be established for perpetual inventories that are cyclical in nature. Physical counts of perpetual inventories may be taken on a prearranged schedule. This allows the physical counts for these inventories to be scheduled around the low point in the inventory stock cycle.

Departments should notify the Office of the State Auditor in advance of all physical inventory counts. This may be done by providing an inventory schedule showing the dates and locations for planned physical inventory counts.

Inventory closing procedures can be found on the CORE website at http://core.state.co.us. Click on Resources to the Policies & Procedures, Job Aids, and Step Action tables to assist with the inventory process.

3.14 Internal Control and Certification of Accounting and Reporting Systems

Certification of financial accounting and reporting systems is required on Exhibit I. Every department within a cabinet must be represented on an Exhibit I, but separate exhibits for each department within a cabinet are not required. Only one copy of Exhibit I needs to be submitted by the due date contained in the open/close calendar.

The Exhibit I is expected to also serve as the TABOR revenue certification

Be careful not to confuse the Exhibit I requirement with the reporting required under the Financial Responsibility and Accountability Act (CRS 24-17-101). See Chapter 5, Section 6.1 for the related Statement of Compliance due December 31 each year.

3.15 Year-End Fund Balance Sweep Entries for Funds 1000 and 4610

The purpose of the sweep is to ensure that department year-end fund balances in funds 1000, and 4610 are equal to zero. The amount of the sweep entry for each department will be the difference between revenues and expenditures in these funds. The entry will be a debit or credit to balance sheet account 3400 with the offset to the cash account 1100 and/or 1130. An equal and opposite entry will be made to department 999A in the same fund. It is the intent of this process to prevent agencies from rolling forward fund balances and 1130 cash balances in funds 1000 and 4610. These entries will eliminate any negative cash position in the 1100 accounts caused by the absence of cash transfers to support general-funded expenditures. The OSC will make the sweep entries in period 14 using period 13 close balances.

3.16 Internal Transfers

The OSC definition of a transfer is any payment from one state department to another, or one fund to another, or one appropriated line item to another, which does not involve the exchange of money for goods or services, and which is generally of an involuntary nature and mandated by budget, statute, or administrative requirements. When goods or services are exchanged and the value received is commensurate with the value paid, then transfer accounts should not be used.

Transfers are most commonly used to move money from a department or fund where it was properly earned as revenue to another fund or department. For example, departmental indirect cost recoveries are often appropriated to fund administrative activities in a department. The original external revenue should be earned in the receipting department, and the incoming transfer should be recorded by the other department (e.g., central administration) to support its cash funded appropriation.

Balancing of transfer transactions is required for financial statement preparation at the statewide level. The OSC-012, OSC-013, OSC-014, and OSC-016 infoAdvantage transfer diagnostic reports help agencies review transfer transactions. The transfer diagnostic reports should be monitored as part of the quarterly reporting to the OSC and transfers should be balanced by period 13 close. The use of the ITI/ITA & IET transactions by state agencies helps in ensuring the balancing of transfer accounts. However, there are some instances where the use of the ITI/ITA & IET transaction is not feasible and other instances where transfer transactions are not balanced within the ITI/ITA and IET transaction due to limitations with second-party only front-end-split functionality. The following information is provided to assist agencies in properly coding their transfer transactions. Communication between and within agencies is key to the consistent treatment of transfers and the balancing of all transfer accounts.

Transfers occurring prior to period 13 close may offset cash through the use of Event Type IN20. After the period 13, internal transfers must be accrued offsetting internal payables and receivables with Event Type IN21.

Operating transfers out to other cabinets must be recorded in the 700x series whereby x indicates the cabinet code of the department to whom the funds are sent (note that Y=cabinet I and Q=cabinet O for this purpose). Operating transfers in from other cabinets must be recorded in the 90Tx (T in the third character indicating a transfer from a TABOR enterprise) or 900x (from a non-TABOR enterprise) series. The x indicates the cabinet code from whom the funds are received (again, Y=cabinet I and Q=cabinet O for this purpose).

New for Fiscal Year 2017, operating transfers must be segregated into interfund and intrafund transfers to assist the OSC eliminate transfers in financial statement preparation. The interfund or intrafund determination is made the fund category (FCAT) level. For example, transfers between fund 1070 (FCAT RZ00) and fund 1080 (FCAT EZ00) are recorded as interfund while transfers between fund 1070 (FCAT RZ00) and fund 1090 (FCAT RZ00) are recorded as intrafund. The

FCAT is found on the rollups section of the FUND table in CORE. The coding described in the above paragraph (700x and 900x) will be used for interfund transfers. New transfer codes 7A0x and 9A0x, where x represents the cabinet code, should be used for intrafund transfers.

The CORE General Accounting Internal Transaction policy and procedure contains more detailed information and can be found on the http://core.state.co.us website.

3.17 Clearing Abnormal Balances and Clearing Accounts

Departments should clear abnormal account balances and any balances in clearing accounts prior to Period 12 close. Abnormal account balances are identified in infoAdvantage in the OSC Diagnostic folder, in the report titled OSC-003 - Abnormal Balances. Examples of clearing accounts include the Undistributed Charges codes 159x and Undistributed Receipts code 2510. This requirement in no way reduces the department's responsibility to identify the proper distribution of amounts recorded in clearing accounts or accounts with abnormal balances.

3.18 Budgeted and Unbudgeted Transactions

A careful review of CORE general ledger reports should be done to determine if these budget and unbudgeted expenses were used properly. Departments should also review the OSC-016 – Unbudgeted Posting Codes diagnostic report in infoAdvantage. Unbudgeted posting codes should be used where an expense/expenditure needs to be recorded for the operating statement but the item is not budgeted. Examples of appropriate use of this code are depreciation expense in proprietary fund types, deferral of payroll and/or Medicaid expenditures related to the budgetary basis of accounting, the Treasury transaction fee, credit card fees, and offsets to clear budgeted expenses in proprietary funds.

3.19 Office of the State Controller Diagnostic Reports in infoAdvantage

The OSC produces diagnostic reports to assist you in ensuring that the year-end balances in your accounts and supplementary information are materially correct. For these reports to be useful, agencies must review them throughout the year-end and timely at fiscal year end. The diagnostic reports are available in infoAdvantage in the OSC Diagnostic Folder, and are discussed in Chapter 5, Section 1.

3.20 Unrealized Gains/Losses

Unrealized gains/losses on Treasury's pooled cash will be recorded centrally, with the exception of entries for Higher Education Institutions. Institutions will record the centrally calculated gain/loss and feed the entry to CORE, which will be communicated as outlined in the open/close calendar. Entries related to unrealized gains/losses will not be comingled with regular cash and investment balances, but instead will be posted to BSA 1105-Cummulative Gain (Loss) on the TPool and BSA 1605- Cumulative Unrealized Gain/Loss on Investment. Gains/losses will be allocated to the same population as interest income, based on the pool's total gain/loss times the department/fund's percentage of the pool based on closing cash balances as of the timing outlined in the open/close calendar for higher education institutions and Period 14 close for departments. As a result, the central entries will be a Period 15 transaction.

For department-held investments, departments will be required to record an increase/decrease in the investment balance (BSA 1605) and nonbudget unrealized gain/loss revenue (Posting Code XR02, RSRC 6050). The amount recorded represents the difference between the book value and the market value as reported on Exhibit N1.

The entries shall be reversed in Period 15 in the next fiscal year centrally for non-higher ed Treasury pooled cash. Institutions will record the reversal manually on their systems which will subsequently feed to CORE. Both departments and institutions will be required to reverse department-held investment entries by Period 15.

3.21 Expiring Warrants and Clearing the Expired Warrants Liability Account

CRS 24-30-202(9)(a) requires that the State Controller expire outstanding stale dated warrants annually and credit the fund originally charged with the expense. Pursuant to CRS 38-13-112 all moneys for these expiring warrants, unless exception identified in statute (e.g., federal funds,) must be delivered to the Unclaimed Property administrator. When warrants are expired the funds are moved to BSA 2751 (Canceled Warrants Prior Year). Balances in BSA 2751 that did not go to Unclaimed Property need to be cleared prior to Period 12 close. Please see the OSC website for additional information on expiring warrants.

3.22 Governmental Fund Balance

GASB 54 defines governmental fund balance classifications based on the degree of constraints on the use of resources from legally enforceable constraints by forces external to the government to nonbinding designations of fund balances. Classifications include:

- Nonspendable Fund Balance - This includes assets that are not expected to be converted into cash and includes inventories, prepaid expenses, and long-term receivables if the use of resources from the collection of long-term receivables is not otherwise restricted, committed, or assigned. Nonspendable also includes items that are legally or contractually required to be maintained intact, primarily nonexpendable permanent funds.
- Restricted Fund Balance - This consists of amounts that are restricted to specific purposes, with the exception of permanent funds required to be retained in perpetuity – these are considered nonspendable. The key concept in determining what qualifies as restricted fund balance is whether an external party can legally compel the government to use the specified resources for only a specific purpose. The restriction must be externally imposed or imposed through constitutional provisions or enabling legislation. External restrictions typically result from external parties such as creditors or grantors. Constitutional restrictions include items such as tax revenue in the State Education Fund that resulted from voter approval of Amendment 23 in the 2000 election. The standard includes enabling legislation as legally enforceable; however in Colorado, courts have ruled that it is the General Assembly’s prerogative to change sources and uses of funds. That ruling essentially defaults most fund balances to the less restrictive committed classification. As a result, only external constraints and constitutional provisions are grounds for a restricted classification. Often nonlegislatively created funds are established for custodial purposes and would meet the restricted requirements.
- Committed Fund Balance - Balances in this category must result from action at the highest level, the General Assembly, and may also be modified by action at that same level. As an example, the General Assembly creates a court fee to be used to fund education programs, but later diverts the fee to be used for witness protection. Remaining fund balances in this scenario would be considered committed. This is the least restrictive category for legislatively created funds, and is typically the largest fund balance category.
- Assigned Fund Balance - These balances are constrained by the intent to use resources for a specific purpose, but are not restricted or committed. This action is at a level lower than that of the General Assembly. Little activity is expected in this category as legislatively created funds are considered at least committed, and often nonlegislatively created funds are established due to external requirements that put those funds into the restricted category. However, some activity such as rollforwards may fall in this category.
- Unassigned Fund Balance - This level of fund balance is the residual category after all other classifications have been made. This category, by definition of a special revenue fund, is not available for special revenue funds. The only exception for special revenue

funds is for deficit fund balances, at certain levels. Legislatively created funds classified as general funds for financial reporting also default to the committed category. A positive unassigned fund balance is only available in the General Purpose Revenue Fund, fund 1000.

The State policy for when an expenditure incurred could be funded from either restricted or unrestricted sources that unrestricted dollars are spent first, and within unrestricted sources funding is allocated first from unassigned, then assigned, and then committed resources. However, in certain circumstances restricted and/or committed resources are spent without regard to other available funding sources including transfers to pay indirect costs, to fund programs operating in the General Purpose Revenue Fund (Fund 1000), to support health-related programs funded by tobacco tax, to support programs partially funded by Highway Users' Tax funds, and other situations that are not individually significant.

Funds were classified into a default category based on an analysis of activity by fund in Fiscal Year 2011 with the implementation of GASB 54. Based on the analysis of activity in the funds, in conjunction with the spending prioritization policy, each fund falls in a discrete classification. In CORE, the Fund Class defines the current default classification of each governmental fund, RST for Restricted and URS for Committed. Additionally, cash, receivables and investments in funds with an RST fund class are presented as restricted. Should a fund become partially restricted, the department is responsible to manually record the applicable portion of cash, receivables, investments, and fund balance in BSA 1034, 1634, 1345, and 3501, respectively. As new funds are created these factors are considered in consultation with departments to determine the appropriate initial classification of fund balance. Changes in classifications, due to factors such as changes to sources of revenues authorized for a fund, are annually required to be reported to the OSC on the Exhibit Q.

3.23 Proprietary Fund Net Position and Restricted Assets

Cash, investments, and receivables are to be reported as restricted when external creditors, grantors, contributors or the laws and regulations of the federal government place constraints on their use. Normally, federal funds are on a cost reimbursement basis or are offset by unearned revenue and would not give rise to net asset to be restricted. These assets are also reported as restricted when they are constrained by the state constitution. They cannot be restricted solely at the discretion of the General Assembly or department management.

In order for the OSC to identify restricted net assets, agencies are required to account for the restricted assets, and the liabilities to be paid from these assets, in a fund other than the fund in which the department accounts for its normal operations. When an entire fund is not restricted departments must account for their restricted assets in balance sheet accounts 1034-Restricted Cash, 1634-Restricted Investments, and 1345-Restricted Receivables. Proprietary funds with restricted assets, not accounted for in a separate fund, should also make a net position entry at year-end to the appropriate 32*xx* Restricted Fund Balance account for the amount of the restricted net assets.

3.24 Closing a Fund and Fund Balance Accounting

Legislation is necessary directing the disposition of fund balance for repealed funds. The manner of closure depends on the statutory language closing the fund. If the statute closes the fund by transferring the remaining balances to another fund, the entry in the fund to be closed will be a debit to object code 7xxx and the credit will be to the asset, probably cash. Liabilities of the fund should be liquidated with assets of the fund or closed to the other fund. For example, sufficient cash must remain for outstanding warrants to clear. In the destination fund the entry will be a debit to the asset, probably cash, with the credit to revenue source code 9xxx. Before the entries are made, it is important to be sure that all of the appropriate coding structure has been established in both of the funds. On occasion a fund is repealed by striking the name of a fund and replacing it with another fund. For these scenarios, the offset is against fund balance rather than transfer codes. If a fund is repealed without legislating directing disposition of the fund balance, the OSC is not able to authorize closing the fund to another fund. If you have questions about this process or have a deficit fund balance in a fund that you are closing, please contact your OSC Consulting & Analysis Unit Controller.

State agencies frequently request approval of documents that are intended to correct prior year errors by adjusting balance sheet and fund balance accounts. Such adjustments require full disclosure in the State Comprehensive Annual Financial Report (CAFR), and under recently approved auditing standards are considered an indication of material weakness in internal control. Minimizing the need for and occurrence of such adjustments is important, and all adjustments to correct prior year errors that have been identified prior to final fiscal year close should be posted to current operating statement accounts, rather than fund balance, unless they are material for disclosure as prior period adjustments in the State CAFR. You should apply professional judgment to determine whether an error correction is material for CAFR disclosure, and contact your OSC Consulting & Analysis Unit field controller if you are unsure.

3.25 Pay Date Shift

Senate Bill 03-197 later amended by House Bill 12-1246 (CRS 24-50-104) changed the pay date for salaries earned in the month of June from the last working day in June to the first working day in July. This applies to salaries paid to all state employees regardless of funding source. The legislation also changed the calculation of the General Purpose Revenue Fund (Fund 1000) surplus to record salary expenditures against general-funded revenues upon payment of expenditures in July. This means salary expenditures related to the June payroll will be recorded against the FY2017 budget for general-funded salary expenditures only. The legislation does not apply to salary expenditures funded by cash or federal sources accounted for in the General Purpose Revenue Fund (Fund 1000).

Financial statements for the State must be prepared according to GAAP. Therefore, the monthly salary expenditures must be expended for financial statement reporting in FY2016, but will be expended for budgetary reporting in FY2017. The table below summarizes the effect of June salary expenses for financial statement and budget purposes.

Work Period	Schedule	Normal Pay Date	Revised Pay Date	GAAP	Budget
June 1-June 30	M06	June 30	July 1	Posts in FY2016	Move GF to FY2017

In order to accommodate the payroll disbursement on July 1, 2016, agencies using CPPS will record June payroll expenditures using the following process:

- Salaries will be reflected as accrued expenditures in the proper department/fund combinations through accounting templates based on the pay period end date, which drives the posting accounting period. The salaries will be converted from accrued to cash expenditures on pay day. The posting of these items occurs concurrently in CORE after labor is allocated several weeks in arrears. As a result, on June 30 cash is properly reflected in the payer departments/funds.
- For budgetary purposes, departments are required to generate a JVISTND or JVC document to change the payroll expenditures for the general-funded portion of the monthly payrolls by debiting a nonbudgeted posting code and crediting a budgeted posting code via Event Type XG13. The fund, department, appropriation code, and

object code must be included in this entry. Department-level codes may be used if expense budgets are maintained, but are not required. For appropriation codes requiring a grant budget line, a dummy code can be established to keep the grant reporting clean.

- A budgetary adjusting entry based on estimated June payroll may be processed prior to the payroll posting in June, but must be adjusted to actual amounts by Period 13 close.
- The budgetary adjusting JV1STND or JVC document must be reversed in FY2017, exactly as processed except that reversals need to be recorded in Event Type XG18. The Long Bill line item needed to reverse the entry will be reestablished in FY2017 even if it is not included in the departments FY2017 Long Bill, upon request to the DPA_FAR mailbox@state.co.us. This is necessary for the correct reversal of the JV1STND/JVC document. Departments may move the budgeted payroll expenditures, as necessitated by FY2017 budget constraints. Do not move the unbudgeted expenditures.
- For employees terminating service or retiring from state service effective June 30, GAAP require payments due and payable on the effective date of termination to be accrued. These types of expenditures should not be expended in July, even if processed through the payroll system in July.

Agencies not using CPPS:

- Monthly payroll related to June should not be disbursed until July 1.
- A liability for accrued payroll payable should be recorded as of June 30, and cleared on July 1.

Budgetary reports will not include non-budgeted expenses, nor will non-budgeted expenses show on CORE BQ90/91 screens.

3.26 OIT Purchased Services General Purpose Revenue Fund (Fund 1000) Budgetary Shift

On July 1, 2010 many departmental information technology staff transferred to the OIT. To mitigate the normal budgetary impact of refinancing general-funded staff to cash-funded staff in FY10-11 and each fiscal year thereafter, House Bill 09-1367 allowed for the subsequent deferral of OIT service charges at the department level for budgetary purposes. The amount of the deferral is based on the general-funded portion of the agencies' June 2010 payroll expense for the transferring staff. The impact on agencies is (was) as follows:

- Departments communicated to the OIT the portion of salary for the transferred staff that was general-funded on June 30, 2010.
- For close, the OIT shall work with departments to determine the general-funded portion of the OIT costs. Agencies shall record an entry to defer its OIT costs (object codes 195x, 196x, 263x, 264x, 265x, or 2820) into the subsequent fiscal year, and communicate the deferral amount to the OIT. Similar to the pay date shift reversal, agencies shall generate a journal voucher JV1STND, event type XG23, to change the OIT expenditures for the OIT identified portion of the billing by crediting budgeted expenditure and debiting unbudgeted expenditures. As with the general-funded pay date shift, the reclassification entry must be reversed exactly in the following fiscal year, using JV1STND event type XG24.

Based on department deferrals, the OIT will defer the same amount of expenditures and will submit a JV1STND document to treat its associated revenue as nonbudgeted (posting code XR02 and A015) in the current year. Similar to the expenditure side, the revenue deferral must be reversed in the new fiscal year.

3.27 Refunds and Reimbursements – Credit to Expenditures

Based on Fiscal Rule 6-6, State agencies and institutions of higher education should record refunds or reimbursements to a revenue account (or accounts receivable if one was established by a credit to a revenue account) rather than a credit to expenditures. The only time a credit to the original expenditure is acceptable is if the refund or reimbursement is incidental, non-recurring, and for activities that involve a routine department function, is related to an open capital construction project or open federal grant, or as otherwise stated statutorily. If refunds or reimbursements are received in a subsequent fiscal year, they should be credited to a non-augmenting revenue account (RSRC 83xx) in an appropriation unit ending in "9999".

3.28 Reversions to the State Employee Reserve Fund, the Office of Information Technology and the Legislature

Historically, all unspent general funds have been available to the General Assembly for appropriation in the subsequent fiscal year. In recent years, some of these general fund reversions have been made available for designated purposes. Beginning in Fiscal Year 2011, general fund reversions related to information technology savings were transferred to the Governor's Office of Information Technology (OIT). In Fiscal Year 2012, two additional uses of general fund reversions were authorized, one for the Legislative Department and the other to fund merit pay increases. The Office of the State Controller (OSC) calculated these reversions in conjunction with the publication of the Basic Financial Statements, with the remainder available to the General Fund. The reversions for each designated purpose have been calculated as follows:

- State Employee Reserve Fund (for merit pay reversions): House Bill 12-1321 directs that for executive branch principal departments, any unspent general funds in certain long bill line items related to personal services and operating expenses be reverted into the State Employee Reserve Fund to fund merit pay increases. The OSC identified eligible line items based on the parameters set forth in the bill using the appropriation class to identify these line items. The Joint Budget Committee may select additional line items, but has not done so at this time. If the long bill line item has also been identified by OIT, the reversion is directed to the OIT revolving fund. Additionally, reversions into the State Employee Reserve Fund are not available in a line item approved for transfer, either to or from, as set forth in CRS 24-75-108. For the legal BGA90 budget structure the entire general fund reversion should be allocated to the State Employee Reserve Fund. For the bottom-line BGA91 structure, departments must allocate the general fund reversion proportionately to the State Employee Reserve Fund based on total unexpended funds in the personal services related and operating expenses line items as compared to total unexpended general funds in the bottom-line structure. It is anticipated that an infoAdvantage report will be created in the future to assist with the identification of amounts subject to transfer under this bill. The OSC will make the transfers as outlined in the open/close calendar using Event Type IN21 which records the transfer with a payable/receivable offset. The statute requires the transfer of cash to be held to occur with the publication of the CAFR.
- Information Technology Revolving Fund: Senate Bill 08-155 authorized the transfer of general funded information technology savings to the Information Technology Revolving Fund in OIT. OIT will identify the long bill line items meeting the statutory requirement for transfer. If the long bill line item falls in the legal BGA90 structure, the entire general fund reversion goes to the revolving fund. For the bottom-line BGA91 structure reversions must be allocated based on total unexpended funds in the OIT identified line item as compared to total unexpended general funds in the bottom-lien structure. OIT will identify the lines subject to reversion and the OSC will make the transfer by Period 14 close.
- Legislative Department Cash Fund: House Bill 12-1301 directs unspent general funds of the Legislative Department into the Legislative Department Cash Fund. All unspent general funds of the Legislative Department go to the cash fund.

The OSC will record this transfer by period 14 close.

3.29 Risk Management Funds

On July 1, 2001, the State implemented GASB Interpretation No. 6 in conjunction with GASB Statements No. 34 and No. 35. Under Interpretation No. 6, fund liabilities related to claims and judgments are accrued only to the extent that they are due and payable at June 30. Incurred but not reported (IBNR) claims will not be accrued as a fund liability in the General Purpose Revenue Fund (Fund 100). The incurred but not reported (IBNR) will be accrued as a long-term liability in Fund 4710.

3.30 Retirement Payouts

Under GASB Interpretation No. 6, adopted by the State effective July 1, 2001, the fund liability in governmental funds for compensated absences is accrued when paid. Agencies should not accrue retirement payouts in a governmental fund if they are payable after the end of the fiscal year.

If an employee who is eligible to retire, announces that their retirement date is June 30 or earlier in the same fiscal year, then the department must accrue a fund liability for their retirement payout, even if the payment will not be made until the July payroll. However, if the employee announces that they are retiring July 1 or later, then there is no expenditure or fund liability at June 30, as the retirement date is in the following fiscal year.

3.31 Specifying Contractor and Subrecipient Relationships in Contracts

Subrecipient grant transactions from one state department to another state department should not be confused with transfers between state departments. Grant disbursements to other state departments for federal or state grants should be coded to object codes 5770 through 5776. Receipts of federal or state grants as a subrecipient from other state departments should be coded to revenue source codes 7500 or 76xx.

If a contract involves the disbursement or receipt of federal funds, special attention should be paid to the coding and reporting of those funds. Such contracts may result in either a subrecipient or contractor relationship between the parties involved. In general, the language in the contract specifying the party's responsibilities determines the type of relationship involved.

Title 2 of the Code of Federal Regulations, Subtitle A, Chapter II, Part 200 (OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, a.k.a. OMB Uniform Guidance) defines subrecipient as, "a non-federal entity that receives a subaward from a pass-through entity to carry out part of a federal program; but does not include an individual that is a beneficiary of such a program. A subrecipient may also be a recipient of other federal awards directly from a federal awarding agency." Section .330 of OMB Uniform Guidance provides guidance on making the subrecipient versus contractor determination. It states:

Characteristics indicative of a federal award received by a subrecipient are when the organization:

1. Determines who is eligible to receive what federal financial assistance;
2. Has its performance measured in relation to whether the objectives of the federal program were met;
3. Has responsibility for programmatic decision making;
4. Is responsible for adherence to applicable federal program requirements specified in the federal award; and
5. In accordance with its agreement, uses the federal funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the

benefit of the pass-through entity.

Characteristics indicative of a procurement relationship between the state and a contractor are when the contractor:

1. Provides the goods and services within normal business operations;
2. Provides similar goods or services to many different purchasers;
3. Normally, operates in a competitive environment;
4. Provides goods or services that are ancillary to the operation of the federal program; and
5. Is not subject to compliance requirements of the federal program as a result of the agreement, though similar requirements may apply for other reasons.

Section .330 also discusses the use of judgment in making the determination. Section .331 discusses requirements for pass-thru entities, both subrecipient and contractor.

The following table specifies the accounting and reporting treatment for subrecipient/contractor transactions.

	DISBURSOR	RECIPIENT
Contractor Relationship Contract (If one Dept is providing services to another Dept)		
	Code payments using object code indicating type of good or service purchased. Report expenditure on Exhibit K1. Disburser is responsible for ensuring that expenditure is an allowable cost.	Code receipts using revenue source code indicating type of good or service sold. Do not report on the Exhibit K1.
Subrecipient Relationship Contract (Receiver of grant funds)		
With Another State Department	Code disbursement using object code 5770 or 5771. Report on the Exhibit K1. In general, disburser is responsible for determining if recipient is a qualified recipient and for monitoring if recipients expenditures are allowable costs.	Code receipt using revenue source code 7500 for non-capital and 7530 for capital. Do not report on Exhibit K1. Recipient is responsible for helping disburser comply with grant requirements. Note that Higher education institutions feed all subrecipient revenue to code 7500.
With a Non-State Entity (e.g. City and County of Denver)	Code disbursement using object code 51*xx*-Intergovernmental Grants or 5781-Grants to Non-Gov/Organizations. Report on the Exhibit K1. In general, disburser is responsible for determining if recipient is a qualified recipient and for monitoring if recipient's expenditures are allowable costs.	Code receipt using revenue source code 7501 - Fed Grant/Cont – Subrecipient - External. Report on the Exhibit K1. Recipient is responsible for helping disburser comply with grant requirements. Note that Higher education institutions feed all subrecipient revenue to code 7500.

3.32 Reporting to the Federal Audit Clearinghouse

According to OMB Uniform Guidance, a pass-through entity is a "non-federal entity that provides a federal award to a subrecipient to carry out a federal program." State agencies that receive federal assistance as a pass-through entity or as a subrecipient should review the requirements of OMB Uniform Guidance for reporting to the Federal Audit Clearinghouse (FAC). Section .512 of OMB Uniform Guidance requires subrecipients to submit a reporting package and data collection form to the FAC which is authorized to make both publicly available on a website. The reporting package must include the following four items:

- Financial statements and schedule of expenditures of federal awards

- Summary schedule of prior audit findings
- Corrective action plan
- Auditor's report

These four items are included in the Office of the State Auditor Single Audit. OMB Uniform Guidance can be found on the online at: **http://tinyurl.com/j4mpftb**

3.33 Internal Controls for Federal Awards

OMB Uniform Guidance, Section .303 requires pass-through entities to:

- Establish and maintain effective internal control over the federal award that provides reasonable assurance that the state is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- Comply with Federal statutes, regulations, and the terms and conditions of the federal awards.
- Evaluate and monitor compliance with statutes, regulations and the terms and conditions of Federal awards.
- Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings
- Take reasonable measures to safeguard protected personally identifiable information and other information the federal awarding agency or state designates as sensitive or the state considers sensitive consistent with applicable federal, state, local, and tribal laws regarding privacy and obligations of confidentiality.

3.34 Pension Entries Per GASB 68

GASB 68 pension entries will be recorded centrally in department codes that are only for use by the OSC, with the exception of the entries for Higher Education Institutions. Institutions will record all pension entries via the feed process or JV1ADVN into CORE. Timing for posting of these entries will be outlined in the open/close calendar. For centrally posted entries, once the entries are in CORE, the departments will be notified of how to view the entries in the system and will also receive a workbook outlining all of the entries posted on the department's behalf.

3.35 Clearing Fund Balance Accounts 340A and 340P

All activity posted to balance sheet accounts 340A and 340P will be moved to 3400 in the subsequent fiscal year. The entries to move activity to 3400 will be completed centrally and will be completed after the balance sheet rolls from one fiscal year to the next.

CHAPTER 3: SECTION 4
FINANCIAL STATEMENTS

Financial statement requirements are different for higher education institutions than for non-higher education agencies. Requirements vary among non-higher education agencies. Following is a discussion of the financial statement requirements.

4.1 Higher Education Financial Statements

Financial statements required of higher education governing boards and/or institutions are discussed in Higher education Accounting Standard No. 17. One copy of these statements and related notes are to be sent to the OSC by the date outlined in the open/close calendar along with Exhibit J. The Management Discussion and Analysis that is part of the Basic Financial Statements should be sent to the OSC as indicated in the open/close calendar. Exhibit J should reconcile the CORE individual proprietary fund statements as of the cutoff date for document entries for the Basic Financial Statements. The individual campus and government board statements are available in infoAdvantage in the Higher Education Folder.

4.2 Non-Higher Education Agencies Financial Statements

CORE generated financial statements report GA-001 meets the fiscal rule requirement for financial statement preparation for non-higher education agencies except for the following agencies that are required to prepare statements with full GAAP disclosures including Management Discussion and Analysis:

- State Fair Authority
- Legislative Department
- Gaming Division of the Department of Revenue
- Lottery Division of the Department of Revenue
- Colorado State Veteran’s Home at Homelake (Department of Human Services)
- Colorado Student Loan Program dba College Assist
- CollegeInvest
- Colorado High Performance Transportation Enterprise
- Colorado Bridge Enterprise

For the agencies listed above, one copy of financial statements and related notes are to be sent to the OSC by the due date in the open/close calendar along with an Exhibit J reconciliation that shows the reconciliation of the CORE closing balances to the department’s financial statement line items. The Management Discussion and Analysis that is part of the Basic Financial Statements should be sent to the OSC by the due date in the open/close calendar.

Departments not on the list above may prepare full GAAP disclosure statements and/or additional supplementary information if they believe that the information would be beneficial to management. These agencies are not required to submit an Exhibit J. However, all agencies are required to certify on Exhibit I that they have reviewed CORE GA-001 report.

4.3 Suggested PERA Pension Note Language

Suggested PERA footnote language, supporting allocation tables, and amortization schedules will be distributed in early August.

4.4 Financial Statement Line Item Account Groupings

Selected agencies and all higher education institutions are required to prepare financial statements and Exhibit J as specified in sections 4.1 and 4.2 of this chapter. The instructions for Exhibit J will refer to infoAdvantage reports that are currently being updated that list balance sheet accounts and operating statement accounts that comprise line items on the statewide financial statements. Basic financial statements include:

- STATEMENT OF NET POSITION (Government-wide)
- BALANCE SHEET – GOVERNMENTAL FUNDS
- STATEMENT OF NET POSITION – PROPRIETARY AND FIDUCIARY FUNDS
- STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
- STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – PROPRIETARY FUNDS
- STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
- STATEMENT OF CHANGES IN NET POSITION – FIDUCIARY FUNDS

As noted in the instructions, Exhibit J should be compiled so that all CORE trial balance accounts that accumulate to a financial statement line item are grouped together and subtotaled at the financial statement line item level. Throughout the year and at year-end an infoAdvantage report is available that aggregates balances into financial statement line items. Adjusting, reclassifying, and presentation entries affecting a financial statement line item should also be subtotaled at the line item level.

The cash flow statement prepared under the direct method format is unique in that it requires assigning both balance sheet and operating statement accounts to line items. Some cash flows are unrelated to operating statement activities including:

- Purchase and sale/maturity of investments,
- Acquisition or disposal (at book value) of a fixed asset,
- Debt issuance and payments on principal,
- Lease principal payments,
- Receipts and disbursements of deposits held in custody or similar department type activity.

Balance sheet accounts reported as cash on the financial statements (10*xx*, 11*xx*, 2000, and 2712) are excluded from the cash flow statement table below because they are the cash target that the cash flow statement attempts to identify by reporting the operating statement account balances as adjusted for balance sheet accounts. Compensated absences operating statement accounts and balance sheet account changes should net to zero. If they do not, the OSC reports the difference as a payment to or for employees. Accounts such as depreciation are included in the table even though they do not result in cash flows. This is done to ensure that the effect on the balance (e.g., fixed assets) where the change in cash is being measured is accurately represented. The depreciation recorded should offset the change in accumulated depreciation resulting in no cash flow reported.

If your department records transactions in a proprietary fund, you may need to submit Exhibit V2. Higher education institutions are not required to submit Exhibit V2 because they are required to disclose noncash transactions on the cash flow statement exhibit (see Exhibit V1).

Preparation of the direct method format cash flow statement is adversely affected by accounting shortcuts often used by state agencies. Therefore, agencies should observe the following requirements when entering proprietary fund-type transactions. These requirements do not apply to higher education, which is reporting as a special purpose government engaged solely in business-type activities.

- Department fund-type accounting should not be done in proprietary funds. If you are holding and disbursing cash for another entity or fund (and therefore making no entries to operating statement accounts), the activity should be accounted for in an department fund.
- Journal voucher type transactions (account adjustments) should not be done on documents involving cash, such as PRCs, GAXs, CRs, etc.
- When holding cash or disbursements on the balance sheet, for instance in unearned revenue or undistributed charges or receipts, the transaction that eventually distributes the receipt/disbursement should include an impact on cash. This will result in an equal debit and credit to cash with zero net impact on cash, but it will allow the OSC to identify the operating statement account impacted by the deferred cash accounting distribution.

4.5 Discretely Presented Component Units Required by GASB Statement No. 39

GASB 39 requires foundations or other entities that meet certain requirements to be discretely presented as component units in the State financial statements. The State Controller policy is that foundations with assets or revenues in excess of $50 million would be discretely presented as component units in the State financial statements. The $50 million threshold is a starting point, and entities meeting the threshold will be further evaluated which may result in inclusion or exclusion of the entity as a discretely presented component unit. Currently this requirement applies only to higher education institution foundations. However, any state department that has a relationship with an entity that meets the requirements of GASB Statement No. 39 and exceeds the $50 million threshold must comply with the requirements of this section.

In order to evaluate these foundations and include as discretely presented component units (DPCUs), as applicable based on the further evaluation, the OSC needs the audited financial statements of the foundations meeting the $50 million threshold. The state department to which the DPCU is related must provide the audited foundation financial statements at the earliest date they are available, but not later than the due date in the open/close calendar. Because most of the DPCUs have the same fiscal year-end as the State, the OSC will present the applicable DPCUs financial information from the prior fiscal year in the Basic Financial Statements required by Colorado Revised Statutes at September 20. The OSC will update the DPCUs financial information for the Comprehensive Annual Financial Report using the applicable current year audited financial statements of the DPCUs.

The State Controller requires state agencies and institutions to prepare financial statements using Generally Accepted Accounting Principles (GAAP) similarly to how those standards apply to the State as a whole. Consistent with that requirement, the State Controller requires state agencies related to DPCUs of the State to include those entities as DPCUs in the departments audited financial statements.

If you have a receivable or payable with a foundation that meets the reporting requirements for a DPCU, please ensure that the receivable is recorded on CORE in balance sheet account 1395-Receivable from Component Units and the payable is recorded in balance sheet account 2350-Payable to Component Units, 2825-Capital Lease Payable to Component Units, or

2980-Long Term Payable to Component Units.

4.6 Nonstatutorily Created Discretely Presented Component Units Required by GASB Statements No. 14, as amended by GASB Statement No. 61

The majority of entities potentially meeting the criteria in GASB Statements No. 14 and 61 for discrete presentation in the State's financial statements are created in State statute. The OSC annually evaluates statutorily created entities as part of its review process. However, potential component units not created in statute must be reported to the OSC. For example, a nonprofit entity associated with a department or institution could meet the criteria for inclusion as a component unit in the State's financial statements. Similar to GASB 39 entities, to evaluate and include these entities as discretely presented component units (DPCUs), as applicable, the OSC needs the audited financial statements of nonstatutorily created entities with assets or revenues in excess of $50 million. The state department to which the nonstatutorily created DPCU is related must provide the audited financial statements at the earliest date they are available, but not later than the due date in the open/close calendar. The requirements as outlined for GASB 39 entities in the previous section for similar inclusion in state department/institutional audited financial statements, and the use of specific receivable and payable coding apply to entities identified in this section.

Because most of the DPCUs have the same fiscal year-end as the State, the OSC will present the applicable DPCUs financial information from the prior fiscal year in the Basic Financial Statements required by Colorado Revised Statutes at September 20. The OSC will update the DPCUs financial information for the Comprehensive Annual Financial Report using the applicable current year audited financial statements of the DPCUs.

The State Controller requires state agencies and institutions to prepare financial statements using Generally Accepted Accounting Principles (GAAP) similarly to how those standards apply to the State as a whole. Consistent with that requirement, the State Controller requires state agencies related to DPCUs of the State to include those entities as DPCUs in the departments audited financial statements.

If you have a receivable or payable with a foundation that meets the reporting requirements for a DPCU, please ensure that the receivable is recorded on CORE in balance sheet account 1395-Receivable from Component Units and the payable is recorded in balance sheet account 2350-Payable to Component Units, 2825-Capital Lease Payable to Component Units, or 2980-Long Term Payable to Component Units.

CHAPTER 3: SECTION 5
SUPPLEMENTAL INFORMATION FOR STATEWIDE REPORTING

Additional information, which cannot be obtained from CORE, is needed for statewide reporting purposes. Exhibits must be based on CORE data as of the Period 14 close as provided on the Exhibit Reconciling Balances Report, which will be available in infoAdvantage after P14 close. Exhibits and instructions are available on the OSC's website at: https://www.colorado.gov/pacific/osc/fiscalprocedures.

You are not required to complete an exhibit for a department if it is not applicable. Instead you must show which exhibits are applicable on the Department Exhibit Listing form. Also, please do not aggregate agencies on the exhibits except on exhibits I and J if appropriate.

Please submit the Department Exhibit Listing and all applicable exhibits (except Exhibit I and Exhibit R) in electronic format to the DPA_FARmailbox@state.co.us. Note the "Date Prepared" line on each exhibit. We will refer to this date to ensure that we are using the latest version of each department's exhibits in preparing the State financial statements. Please be sure to include your e-mail address on each exhibit submitted. Please delete any unused exhibit tabs on the spreadsheet that you are submitting to our office, and be sure that the exhibits that you are submitting are reported on the Department Exhibit Listing page. Exhibits and instructions are available on the OSC's website at:

Post Closing Adjustments

For errors found after period 14 close, submit a normal entry directly on CORE. An entry is required to report errors, including proposed audit adjustments, on the final CORE reports and ledgers that exceed $200,000 after the close of CORE. However, the Post Closing Adjustment must also be submitted for errors over $1,000 that would cause or prevent an overexpenditure. This document will route to the OSC for approval. Please provide a description sufficient for audit purposes and attached supporting documentation. There is not a due date for entries; however, they must be submitted as soon as identified. Also incorporate the entry into other exhibits as necessary. Entries will generally be posted through the cutoff date noted in the open/close calendar. Do NOT delete any entries, unless rescinded until completion of the audit. Unapproved entries will document unposted audit adjustments.

The following requirements apply to the post-closing CORE entries:

- Each entry may contain no more than a single entry. Please note in the explanation if related entries should be considered in posting an entry.
- Provide a detailed explanation of the proposed entry in the description field. The explanation should include the initial condition, the error, and the correction of the error. <u>The explanation should be detailed enough that no prior knowledge of the conditions leading to the proposed entry is necessary</u> and should be sufficient for audit purposes. Indicate whether the entry will impact another exhibit, whether the entry will be posted to stand-alone statements (if applicable), and other unusual circumstances that would affect the decision regarding whether or not to post the entry.
- Revisions to post-closing entries need to be <u>**incremental**</u> once an initial entry has been approved. An incremental revision must include a cross-reference to the original(s) documents previously approved and clearly indicate that it is a revision.

A post-closing entry should not be submitted for presentation differences noted on the Exhibit J Financial Statement Reconciliation. The Office of the State Auditor or its designee may identify other errors that were not deemed material for the departments' financial statements, and therefore, an audit adjustment was not proposed. These types of errors that exceed the threshold must also be submitted to the OSC via a post-closing CORE entry.

The State of Colorado does not present comparative financial statements. Therefore, departments should not submit post-closing entries impacting prior year account balances. All adjustments applicable to prior years that are identified after Period 14 close must be submitted for consideration as current year prior period adjustments that debit or credit fund balance accounts rather than operating statement accounts. After the cutoff date for post-closing entries as published in the Open/Close calendar, please DO NOT include updated related exhibits with the proposed entry. Entries after the cutoff date are considered audit adjustments and will not be posted if deemed material. If approved, the OSC will request a revision of the related exhibits.

Additional Requirements Related to the Exhibit J only:

In some instances, a postclosing adjusting entry may be recorded on department financial statements but not approved for the State CAFR. When this occurs, the adjustment will be a reconciling item on the Exhibit J in the initial year and also in the subsequent year because the entry must be posted to CORE in the subsequent year. In the Exhibit J the adjustment must be reported in the CY or PY Unposted & Immaterial Adj. column.

CHAPTER 3: SECTION 6
GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB)

The OSC believes this manual needs to continually address the existence and application of standards promulgated by the Governmental Accounting Standards Board (GASB). Accordingly, the material in this section is intended to:

- Inform agencies of new standards under GASB, including a brief description and both suggested and required accounting and reporting issues as they relate to the standard. (This includes providing guidance on any required CORE coding structure.)
- Provide agencies with a preview of accounting standards that are soon to come and their potential impact on agencies' accounting and reporting requirements. (This includes addressing standards that may take more than one fiscal year to implement.)

Each department is responsible for gaining a thorough understanding of and implementing GASB requirements applicable to their operations. GASB statements are available the GASB website and other publications may be purchased on the GASB website at: http://gasb.org/jsp/GASB/Page/GASBSectionPage&cid=1176160042391.

6.1 What's New

The following standards will be implemented in the Fiscal Year 20165:

- GASB Statement No. 72 – Fair Value Measurement and Application

6.2 GASB 72 – Fair Value Measurement and Application – effective 6/30/2016

The new standard will change **how** fair value is measured, but will not change the items that must be reported at fair value. Fair value measurement is required on a recurring basis for all derivatives and for many investments. Statement No. 72 expands the use of fair value measurement to nearly all investments. Certain nontraditional investments, such as private equity funds or hedge funds will now be required to be reported at fair value. The following definitions are key to the new statement:

- Fair Value
  - The statement defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." In essence this statement requires a value measurement at exit price. Fair value is determined using three valuation approaches; market, cost, or income.
- Investment
  - Statement No 72 revises the definition to specify that such assets are held "primarily for the purpose of income or profit," and that their service capacity is "based solely on their ability to generate cash or to be sold to generate cash."
- Acquisition Value
  - For donated capital assets, donated works of art or historical treasures, and capital assets received in a service concession arrangement an *entry-price* measurement is more appropriate than an *exit-price* measurement. These assets will continue to be measured in the same manner but that manner will be described as acquisition value rather than fair value.

CHAPTER 4: SECTION 1
CAPITAL CONSTRUCTION: REGULAR

This chapter addresses capital construction, capital assets, and capital debt. This section discusses issues related to establishing carrying forward and reverting spending authority for controlled maintenance and capital construction projects. This chapter also provides guidance on the proper accounting for expenditures, augmenting revenues, and retainage payable related to capital construction projects. Fund 4610 is used to account for all capital construction activity that is either partially or fully general-funded, and Fund 4620 is used to account for nongeneral-funded activity, unless otherwise approved by the OSC.

1.1 Recording the New Long Bill Capital Construction Appropriations

The capital construction portion of the Long Bill is effective upon signature by the Governor, which typically occurs in May prior to the beginning of the upcoming fiscal year. As a result, capital construction spending authority must be booked in the fiscal year the bill is signed by the Governor even if there are no plans to expend any of the project(s) money until the upcoming fiscal year. This is necessary for proper budget reconciliation and financial reporting.

The OSC will establish the following CORE central coding which is necessary for the appropriations to be booked. This includes:

- Appropriation Type
- Appropriation Group
- Appropriation Class
- Project number

Departments must carefully review the coded draft Long Bill and verify that appropriations for new projects have been assigned a new project number. Appropriations to an existing capital construction project should retain the original project number and coding. Departments are then responsible for establishing appropriation unit for their capital construction projects. For FY2016, the budget will be interfaced to CORE via Performance BudgetingAppropriation units related to new capital construction projects will be created with the last four characters representing the CDC Project number, unless otherwise specifically requested by the department. Once interfaced the appropriations will be restricted via an OSC uploaded document until a completed SC4.1 form or OSC "Letter of Intent" is received by the OSC as outlined in Section 1.3 of this chapter.

1.2 Recording the New Special Bill or Supplemental Bill Capital Construction Appropriations

All special bill and supplemental bill capital construction appropriations must be requested in PB and will be interfaced by individual project in the year that the legislation is effective. The OSC will establish the central coding, as described in Section 1.1 of this chapter. Related appropriations will be restricted until a completed SC4.1 or "Letter of Intent" is submitted to the DPA_FARmailbox@state.co.us.

1.3 Spending Authority Unavailability on Capital Construction Projects

All new capital construction appropriations and new funding for existing capital appropriations (capital projects and controlled maintenance projects) will not be unrestricted until a completed SC4.1 form or "Letter of Intent" submitted to the FAR mailbox. Capital projects include both physical "brick and mortar" projects as well as information technology (IT) projects.

"Brick and mortar" projects operate under the direction of the Office of the State Architect (OSA). For "brick and mortar" projects, a department must complete the OSA's Construction

Project Application (SC4.1 form). A capital project SC4.1 form must be approved by the authorized officials within the agency, forwarded to the OSPB for non-higher education agencies or to the Department of Higher Education (DHE) for higher education institutions. The OSPB and DHE will then forward the signed form to the OSA for signature and/or distribution and filing. Controlled maintenance project SC4.1 forms should be submitted to the FAR mailbox. The OSC does not sign the SC4.1 form.

IT projects do not fall under the auspices of the OSA, but rather under the OIT as set forth in Executive Order D 016 07. In order to release the restriction for IT projects, OIT will issue a “Letter of Intent” to the State Controller to certify the project. Should the project’s certification be revoked, funds for the project appropriation shall be immediately inactivated.

All questions and problems related to capital construction accounting or budget should be referred to FAR. All questions related to the completion of the SC4.1 form should be directed to the OSA or the applicable central oversight agency, the OSPB or DHE.

1.4 Six-Month Rule

Departments receiving capital construction appropriations (capital projects, controlled maintenance projects, and information technology projects must comply with CRS 24-30-1404(7) which is known as the six-month rule. The purpose of the rule is to get capital construction projects started as soon as the funds are available. The statute requires, except for specific exemptions listed, that a professional services contract be executed and encumbered within six months after the appropriation becomes law. If a professional services contract is not needed, the agency must have a vendor contract encumbered within six months of when the funds are available. If the project appropriation is for equipment, a Purchase Order (PO) document should be executed and processed on CORE or higher education institution financial system within six months of when the funds are available. If the department cannot meet the six-month rule, they may send a request directly to the CDC for a recommendation to the State Controller that the deadline be waived. Since the capital construction appropriation is effective upon signature, the six-month deadline for projects funded in the annual Long Bill is six months after the Governor signs the bill. For projects funded in special and supplemental bills, the six-month deadline is six months after the effective date of the legislation. The six-month rule does not apply to a capital construction project at a higher education institution that is to be constructed solely from cash funds held by the institution.

The Capital Construction / Controlled Maintenance Project Six-Month Certification Form can be found at: https://www.colorado.gov/pacific/osc/financial-resources.

This form must be completed for each project that is subject to the six-month rule. The controller/CFO and project manager will certify to the OSC that the encumbrance recorded on CORE meets the requirements contained in CRS 24-30-1404(7). The certification form should be sent to the OSC via e-mail (DPA_FARmailbox@state.co.us), wherever possible, and electronic signatures are acceptable.

A memorandum of understanding (MOU) has been signed between the CDC and the OSC regarding the enforcement of the six-month rule. If the full amount of the encumbrance required by the statute cannot be met, the MOU allows a department or institution to include an amount in its project plan that will be encumbered by the six-month deadline. Justification for the proposed amount is required. If the stated encumbrance amount cannot be met by the six-month deadline, the department may send a request directly to the CDC for a recommendation to the State Controller that the deadline be waived.

If the appropriation for the project is subject to the six-month rule, the OSC will enter the six month rule deadline date in the appropriation type short name field. When a PO document is executed and encumbered in CORE or higher education financial system which meets the statutory requirements of the six-month rule, departments and institutions need to complete the certification form and return it to the OSC, who will enter the construction deadline date in the appropriation type short name field..

For any capital construction, controlled maintenance, or information technology project subject to the six-month rule which does not comply with the rule by the deadline date, the appropriation code end date will not be extended, preventing the posting of any additional budgetary or accounting transactions against the project. As noted above, if a department is not able to meet the project's six-month rule deadline, a request may be submitted by the agency directly to the CDC for a recommendation to the OSC that the deadline be waived. If the OSC approves the request, the agency will be notified in writing and the OSC, will move the appropriation end date to fiscal year end. Any questions about this policy should be directed to FAR.

Projects were funded in FY2016, based on House Bill 15-234. The 6-month rule dates are as follows:

- Funded on April 25, 2015: October 25, 2015

The six-month rule date for FY2017 appropriations funded in House Bill 16-1405 is:

- Funded on May 3, 2016: November 2, 2016

1.5 Carryforward of Capital Construction Appropriations

In accordance with the headnotes to the capital construction section of the Long Bill, capital construction appropriations, if initiated within the fiscal year of appropriation, are available until completion of the project or for a period of three years, whichever occurs first. Spending authority will automatically carryforward in CORE. Automated carryforwards include any existing projects that are within their 3-year project life. The carryforward of outstanding encumbrances on expired projects will require manual entries.

In order to help identify which projects are within the 3-year continuing window subject to automatic carryforward, the OSC will develop and infoAdvantage report. Prior to the carryforward of spending authority, it may be necessary for departments or institutions to record new fiscal year expenditures or roll open purchase orders into the new fiscal year. To facilitate these CORE functions, the new fiscal year budget lines will be created in an initial budget roll process through the creation of automated BGA documents.

1.6 Carryforward of Outstanding Encumbrances on Expired Projects

Valid outstanding encumbrances may be carried forward on expired projects. For a valid encumbrance to exist, a contract must have an effective date of June 30 or earlier, or a purchase order must be dated June 30 or earlier. Requisitions in process on June 30 or contracts with an effective date subsequent to June 30 are <u>not</u> acceptable support for requesting the continuance of spending authority for capital construction projects.

A report will also be developed for expiring projects, a portion of which may carryforward due to open encumbrances. When submitting a BGA document to carryforward encumbrances, documentation supporting the encumbrance amount must be attached to the header of the document along with a copy of the infoAdvantage Expiring Projects Report.

Any unencumbered spending authority at the expiration of the project must be reverted. See Section 1.7 of this chapter for information pertaining to reverting spending authority.

1.7 Capital Construction Appropriations Expiring June 30

Uncommitted spending authority on expiring projects must be reverted to the capital construction fund on a project-by-project basis. Projects with uncommitted spending authority on the infoAdvantage Expiring Projects Report (in progress) will expire unless the project is not complete and a valid commitment voucher exists on CORE or higher education financial system. Submit a BGA document to reduce the uncommitted spending authority for projects on the Expiring Report (unless available for carryforward as discussed in section 1.6). An SAI code of "6" for capital construction reversions must be used on these documents. Attach the CORE BQ90LV3 or BQ91LV3 screen prints as supporting documentation for the amount and type of funding being reverted and a copy of the Expiring Projects Report.

1.8 Capital Construction Carryforwards for Nonappropriated Projects

All nonappropriated capital construction projects should be accounted for in Fund 4620, except as otherwise approved by the OSC. Agencies that need to reestablish spending authority for nonappropriated projects should follow the procedures as noted above.

1.9 Art in Public Places

Per CRS 24-48.5-301 and 312, a certain percentage of construction costs of capital construction projects is allocated to the Arts in Public Places program administered by the Colorado Council on the Arts. The expenditure of capital construction funds from the project into the Creative Industries Cash Fund must occur within the three-year life of the capital construction project. Funds received for the Arts in Public Places program in the Creative Industries Cash Fund are governed by the applicable statute. The six-month rule or three-year life requirements of capital construction projects does not apply to these funds as the requirements were met in the overall individual capital construction project. It is the department's responsibility to provide to OEDIT with a SC4.1 form in order to receive funding.

1.10 Capital Construction Fund Revenues

Matching cash and federal revenue should be earned in the correct proportion to the capital construction fund appropriation available for total expenditures on no less than a monthly basis, unless otherwise statutorily exempted. For projects funded wholly or in part with cash funds including insurance recoveries, and federal funds accounted for in the capital construction fund (Fund 4610), excess cash earnings should be carried forward as cash and/or federal funds. Cash and federal fund balance should be identified by preparing a JV1STND with Event Type XG30 to reflect the use of fund balance in the new fiscal year using revenue source code 9523. Carryforward fund balance from Highway User Tax Fund sources should be handled similarly except using revenue source code 9521. The OSC will use the Event Type XG30 to reserve fund balance in the capital construction fund for earned, but unspent cash funds.

1.11 Capital Construction Fund Expenditures

Expenditures for a capital construction project related to the cost of land, materials, and labor used in the construction of a building or permanent structure, or purchase of furniture or equipment should be debited to the appropriate expenditure object code.

Charges appropriate for capital construction projects have been identified in conformance with the statutory definition of capital construction included in CRS 24-30-1301. The following list covers the object codes that should cover the majority of transactions state agencies and institutions normally need to record expenditures of capital construction projects. In limited instances, such as IT projects, other object codes may be appropriate. An explanation will be required if other codes are used.

Each set of codes is followed by a general description of their use for capital construction purposes.

- As a general rule, object codes 19*xx* are used to record expenditures of independent consulting contractors (Part 14 of Article 30 Title 24, CRS).

- Object codes 22*xx* and 3126 are generally used for state controlled maintenance projects.
- Object codes 23*xx* are used for general contractor services.
- 2253 Rental of Equipment, 2610 Advertising, 2810 Freight, 2820 Other Purchased Services, 3128 Noncapitalized Equipment, and 4200 Purchase Discounts should be used as appropriate. Rental of equipment is related to the rental of construction equipment to complete a project. Object code 2610 should be used for advertising related to the project (e.g., bid awards, end-of-project notifications). Printing/reproductions costs include the costs to provide the prime contractor with a reasonable number of plans and specs to distribute to sub-contractors for use during the project.
- Object codes 61*xx* and 62*xx* are used for the direct purchase of capital equipment.
- Object codes 63*xx* should only be used for projects that have been approved for lease purchases.

The following types of expenditures should be charged to an department or institution's operating budget and are not appropriate to be charged to "brick and mortar" capital construction/controlled maintenance projects:

- Although not chargeable to a capital construction project, personal services, including classified service employees and exempt contract employees, paid from operating budgets may meet capitalization criteria, particularly within intangible assets.
- All administrative expenditures including, but not limited to: travel, postage, telephone and fax, and general printing/reproduction costs.

At the end of the fiscal year and prior to Period 13 department close, agencies should review all capital construction projects to identify projects completed and closed during the year. The intent of this review is to ensure that all costs of the closed project(s) meeting the capitalization criteria are recorded in a fixed asset account. This includes the reclassification of amounts previously recorded in construction in progress and current year expenditures recorded in various object codes. For capital construction projects completed and closed during the fiscal year, a CORE FA document should be prepared prior to Period 13 department close transferring the total cost of the project, including costs previously recorded in the construction in progress account (account 1860) to the appropriate balance sheet account in the Responsibility Center (GFAAG) for governmental funds (Fund 4710), or the applicable proprietary fund. For capital construction projects not completed by the end of the year, a CORE FA and FI document should be prepared to record expenditures incurred to date meeting the capitalization criteria in account 1860 - CONSTRUCTION IN PROGRESS.

See the CORE website for detailed directions and instructions for Construction in Process and step action table to assist in creating the documents needed in CORE to correctly record Construction in Process.

1.12 Retainage for Capital Construction Projects

Before Period 13 close departments should verify that the balances of their retainage account (Account 2315) related to each project are correct. If the balance is incorrect, but the expenditure for the payments was recorded correctly, it is not necessary to record a reclassification of the retainage as a liability to the contractor or receivable from the contractor. If the expenditure was incorrectly recorded, make correcting entries as necessary.

Higher education institutions should follow the guidance provided in Higher Education Accounting Standard No. 9, as revised, when recording retainage payable.

1.13 Relationship Between Fund 4610 and 320X/305X Higher Education Funds

With the implementation of CORE, Higher Education Institutions will manage projects within their internal financial systems. Budgetary compliance will continue to be measured in the

Capital Construction Fund. Institutions may transfer cash out of the Capital Construction Fund to its fund via an IET document within a reasonable timeframe as compared to when it makes payment. Institutions shall not draw funds without supporting expenditures. For cash appropriations, institutions shall regular record matching transfer revenue and expense reflecting its share of expenditures on a periodic basis, but no less than quarterly. The OSC will monitor Capital Construction expenditures as compared to institution project expenditures to ensure budgetary compliance. The Higher Ed Capital Construction Transfers Compared to Institutional Fund Expenditures infoAdvantage report in the OSC Diagnostic Folder will be used to monitor this activity.

1.14 Emergency Maintenance Projects

The Department of Personnel & Administration (DPA) will notify agencies/institutions annually of emergency maintenance projects that are appropriated to DPA for maintenance of assets owned by agencies/institutions where the total project expenditures are expected to be $50,000 or more. If the project meets the requirements of increasing the capacity, efficiency, or extending the useful life of the asset, the department or institution should capitalize the cost of the project on their books. This will support the department recovering the cost of the project through depreciation in the departments indirect cost plan or indirect cost rate. It is the agencies' responsibility to notify DPA whether or not the project will be capitalized at the department. Emergency maintenance projects with expenditures totaling less than $50,000 or that are over $50,000, but do not meet the capitalization requirements, will be expensed and included in the Statewide Cost Allocation Plan for purposes of indirect cost recovery. For capitalized projects over $50,000, DPA will capitalize the asset or Construction in Progress, as appropriate. DPA will then transfer the asset using a FX document in CORE, they will notify the agencies/institution of the amount capitalized and remove the asset as a loss on its books. The FX document will record the asset at the other agencies/institution and offset a gain, or contributed capital if operating in a proprietary fund. For detailed procedures on creating a CORE FX document please see the CORE website http://core.state.co.us.

1.15 NonCapitalizable Emergency Maintenance Project Duplicate Expenditures – Higher Education Only

Normally expenditures related to noncapitalizable emergency maintenance projects are reflected as expenditures of DPA only. For higher education institutions the expenditures are duplicated in the higher education enterprise fund (Fund 305X or 320X) to support the calculation of state support for TABOR purposes. To facilitate the higher education entries, DPA provides quarterly expenditures to the applicable institutions. The OSC is in the process of determining the best manner in which to identify the duplicate higher education entry. The OSC will need to eliminate the duplication postclosing as part of the regular capital construction elimination process.

CHAPTER 4: SECTION 2
FIXED (CAPITAL) ASSETS

All governmental funds, except permanent funds, are required to account for and depreciate fixed assets in Fund 4710 in CORE if those assets meet the capitalization threshold. All proprietary funds, including institutions of higher education, are required to account for and depreciate their fixed assets in their respective funds.

2.1 Fixed Asset Reporting Systems

All State departments and institutions of Higher Education are required to maintain a detailed record of all fixed assets. Policy and Procedure dictates that all departments are required to use the Fixed Asset Module within CORE to maintain their detailed record. The exception to this requirement is the Department of Transportation and Institutes of Higher Eduction, all other departments should have their fixed assets converted to CORE and should be operating in the fixed asset module within CORE. For the Department of Transportation and Institutes of Higher Education, at a minimum the records should include the cost, acquisition date, in-service date, estimated useful life, calculated depreciation and accumulated depreciation for each capitalizable asset and must be recored in CORE at a summary level.

2.2 Definition of Fixed Assets

Fixed assets are long-lived assets (greater than one year), owned by the State, that are held primarily for use in a department's operations and programs. Examples of such assets include land, improvements to land, buildings, leasehold improvements, equipment (including furniture, fixtures, machinery, equipment, vehicles, and computer software), library books, works of art, historical treasures, and infrastructure. These assets result from either expenditures made by the department or donations made to the department from an external source. Fixed assets have a useful life greater than one year and must be capitalized if they meet cost thresholds established in this section. Fixed assets include both nondepreciable and depreciable assets.

The State will report nondepreciable fixed assets in the following broad classes:

- Land
- Land Improvements (such as grading)
- Construction in Progress
- Collections (works of art and historical treasures whose useful lives are not diminished by display, educational, or research applications)
- Infrastructure (Department of Transportation only)

State departments are encouraged, but not required, to capitalize works of art and historical treasures that are:

- Held for public exhibition, education or research,
- Protected, cared for or preserved, and
- Subject to an organizational policy that requires the proceeds from sales to be used to acquire other items.

The State will report depreciable or amortizable fixed assets in the following broad classes:

- Leasehold and Land Improvements
- Buildings
- Software
- Vehicles and Equipment

- Library Materials and Collections
- Other Capital Assets
- Infrastructure (Department of Natural Resources and Department of Transportation only)

2.3 Valuing Fixed Assets

Fixed assets built or acquired by the State are recorded at historical cost, including ancillary costs necessary to place the assets in their intended location and condition for use. Ancillary costs include freight charges, site preparation, appraisal fees, and legal claims directly attributable to the asset's acquisition. In proprietary funds, agencies should capitalize interest costs accruing during the time when activities necessary to prepare the asset for its intended use are in progress. Generally this is the construction period, but it may also include the plan development period. A salvage value does not need to be estimated when recording and depreciating fixed assets. However, if a state department has historically estimated salvage value on fixed assets or believes not estimating a salvage value would have a material impact on the annual depreciation calculation, it is permissible to include salvage value when recording and depreciating fixed assets.

Under the new GASB Statement No 72 donated fixed assets are recorded at their acquisition value. These assets will continue to be measured in the same manner but that manner will now be described as acquisition value.

2.4 Capitalization Criteria

The dollar amount of the purchase and the estimated useful life of the asset are the primary criteria the State uses to determine what assets are fixed assets. Purchases of assets that meet the dollar thresholds in Section 2.4.1 below and have an estimated useful life of more than one year will be capitalized.

2.4.1 Dollar Thresholds

For the purchase or construction of new assets, the following dollar thresholds should be used by agencies to determine if the asset should be capitalized. A state department may select a lower minimum dollar threshold to capitalize the purchase of an asset, but a department may not choose a higher dollar threshold.

Type of Asset	Capitalization Threshold
Land	All purchases are capitalized, regardless of cost
Land Improvements	$50,000
Building	$50,000
Leasehold Improvements	$50,000
Intangible Assets	$50,000
Infrastructure	$500,000
Furniture and Equipment	$5,000 per item
Software (purchased)	$5,000
Software (internally developed)	$50,000
Library Materials and Collections	All purchases are capitalized, regardless of cost
Works of Art/Historical Treasures	$5,000 per item/collection

For expenditures related to repair, remodeling, or expansion of an existing fixed asset, the department must determine if the expenditure increased the capacity, operating efficiency or extended the useful life of the asset. If so, such expenditures are capitalized as part of the costs of the asset. Departments should use the thresholds identified above to capitalize repair, remodeling, or expansion expenditures. Expenditures that only serve to restore a fixed asset to a working condition or do not enhance or extend the useful life should be recorded as repair and maintenance expense and should not be capitalized. A state department must maintain appropriate documentation to support what constitutes an enhancement or useful life extension. Software purchases should be assessed for capitalization at the system purchase level; the assessment should not be done based on individual disbursements or on a per unit basis, such as, cost per license.

2.5 Estimated Useful Lives

The estimated useful life of a fixed asset is a function of **each departments own experience**. The OSC considers engineering studies and actual experience documented in the records of similar assets as adequate support for determining the estimated useful life of an asset or group of assets. Some agencies may be required to follow the useful lives identified by third party regulators such as those specified by the American Hospital Association Depreciation Guide.

The following useful lives guidelines may be used by state agencies when calculating depreciation expense only if they have no supportable estimates of their own.

FIXED ASSETS	ESTIMATED USEFUL LIFE
Buildings:	
Type 1 - Fireproof construction	40 years
Type 2 - Noncombustible construction (as classified by the Department of Public Safety in accordance with 780 CMR 402.0 and 403.0)	28 years
Type 3 - External masonry wall construction	28 years
Type 4 - Frame construction (as classified by the Department of Public Safety in accordance with 780 CMR 404.0 and 405.0)	28 years
Building Improvements	20 years
Leasehold Improvements	The greater of 5 years or the term of the lease
Equipment (nonoffice)	10 years
Computer Equipment	3 years
Software	5 years
Other Office Equipment: Items such as copiers, ovens, washers, dryers, office files	6 years
Life Safety Improvements: Building or leasehold improvements or equipment acquisitions made solely to satisfy the requirements of any department regarding life safety or physical environment. Purpose must be documented.	5 years
New Motor Vehicles	5 years
Used Motor Vehicles	3 years
Residential Furnishings	3 years
Office Furnishings	10 years
Land Improvements Subject to Depreciation	20 years
Industrial Steam and Electric Generation and Distribution Systems	22 years
Aircraft	6 years
Watercraft	20 years
Buses	9 years
Roads, Tunnels, and Bridges	50 years
Boating Facilities - buildings, piers, ramps	25 years

It is allowable to componentized fixed assets such that various components of the asset are depreciated over different useful lives. An example is a building. As the building ages, the shell or foundation may be depreciated over a longer useful life than the HVAC (Heating, Ventilation, Air-Conditioning) system.

2.6 Recording of Fixed Assets

Fixed assets purchased by proprietary funds, including institutions of higher education, are recorded and depreciated in the fund in which they operate. Fixed assets purchased by all governmental funds other than permanent funds, are recorded in Fund 4710. The Responsibility Center is the fund in which all of the accounting occurs for the fixed asset.

Normally nondepreciable land is the only fixed asset of permanent funds. Thus it is recorded in the permanent funds and there is no depreciation. In the rare instance that a depreciable fixed asset is held by a permanent fund then the asset would be capitalized in the permanent fund but depreciated in Fund 4710. Contact the OSC if further clarification is needed.

The recording and reporting of fixed assets for financial reporting purposes is different than management's responsibility to safeguard fixed assets. A department may want to maintain inventory control over purchases of fixed assets that do not meet the capitalization thresholds discussed in this chapter. In that situation, the department records a "memo asset" in the Fixed Asset Module within CORE. When a department makes this choice, it is essential that the object of expenditure recorded is not in the capital purchases series (61*xx*, 62*xx*, 63*xx*, 64*xx*, 65*xx*, 66*xx*, 23*xx*). The CORE chart of accounts includes numerous balance sheet codes in the 18*xx* series to record the various types of fixed assets within the above broad classes. It is the policy of the State of Colorado that only the Departments of Transportation and Natural Resources will record and report infrastructure fixed assets.

For detailed Fixed Asset (Capital Asset) policies and procedures and to assist with the acquisition of a Fixed Asset please refer to the CORE website/resources (http://core.state.co.us/resources-1) to get detailed job aids, step-action tables, and policies & procedures.

2.7 Recording Depreciation or Amortization Expense

All exhaustible fixed assets are depreciated using the straight-line method, estimated salvage value (department option), and the estimated useful lives as determined by the department or obtained from the table above. The following discussion applies equally to assets that are amortized such as software and other intangibles as it does to depreciable fixed assets.

Depreciation is calculated automatically in CORE on a daily basis based on the "in-service" date of the asset and recorded monthly. Depreciation expense is recorded in the responsibility fund, Fund 4710 for fixed assets of the governmental fund and in each fund for proprietary funds.

The central running of depreciation in CORE is called Mass Depreciation. Although run centrally, the OSC does not have any detail of the departments fixed assets, all matters related to the fixed asset including depreciation is the responsibility of the departments. Mass Depreciation is a tool that allows depreciation to be calculated on an individual asset basis, based on the parameters set forth in the fixed asset acquisition document. Mass Depreciation has been tested in CORE and correctly runs according to a formula stated in the CORE Fixed Asset User Guide that is available at http://core.state.co.us/resources-1. If departments have found instance where CORE has not run depreciation correctly please contact the CORE help desk. If a department has identified depreciation adjustments that need to be made they must be done at an asset level using the FE document to manually post depreciation, not on a JV type document. Doing depreciation entires on a JV document will not post correctly to the fixed asset module and will not have an effect on the Mass Depreciation calculation. The departments that are not using the Fixed Asset Module in CORE will calculate depreciation manually and record depreciation and its subsequent depreciation expense at a summary level in CORE using a JV type document.

For detailed information regarding the depreciation of a fixed asset, the policies and procedures regarding depreciation, and to assist with the depreciation of fixed asset please refer to the CORE website/resources (http://core.state.co.us/resources-1) to get detailed job aids, step-action tables, and policies & procedures.

2.8 Disposing of Fixed Assets in Governmental Funds

Under full accrual accounting required for the state government-wide financial statements, state agencies must recognize a gain or loss on the sale or disposal of fixed assets. An accounting gain or loss on the disposal of a fixed asset occurs when the net book value of the asset, that is, original cost minus accumulated depreciation, does not equal the cash or other consideration received when the asset is disposed.

For detailed disposition of fixed asset policies and procedures and to assist with the disposition of a fixed asset, please refer to the CORE website/resources (http://core.state.co.us/resources-1) for detailed job aids, step-action tables, and policies & procedures.

2.9 Transfer of Fixed Assets Between Agencies

If a fixed asset is transferred between two governmental fund agencies and there is no exchange of cash, then the asset and related accumulated depreciation should be removed from the sending agencies books and the identical amounts should be added to the receiving agencies books with any needed debit or credit to code 650X Gain/Loss On Disposal Of Property.

For detailed transfer of fixed asset policies and procedures and to assist with the transfer of a fixed asset, please refer to the CORE website/resources (http://core.state.co.us/resources-1) for detailed job aids, step-action tables, and policies & procedures.

For example a server valued at $7,500, with a useful life of 3 years and depreciated for one year using the straigh-line method of depreciation is being transferred from Human Services to Health Care Policy and Financing. Both agencies record the equipment in Fund 4710. Note that at the Statewide level the Gain/Loss is zero.

2.10 Fixed Asset Impairment and Insurance Recoveries – GASB Statement No. 42

GASB 42 requires state agencies to measure and record an impairment loss if an event indicates impairment and passes the impairment tests in the standard. Departments are not required to search for impairment because the standard states that asset impairments are prominent, conspicuous, and expected to have prompted discussion by the governing board, management, or media.

For an event to pass the impairment test, the decline in service utility must be both unexpected and significant. Departments should consult GASB Statement No. 42 for guidance on measuring impairment losses. If an asset impairment meets the definition of an extraordinary event (both unusual and infrequent), it should be reported on the Exhibit U1, Section B, and the OSC will reclassify the amount so that it is presented on the financial statements as an extraordinary item. If the impairment does not meet the definition of extraordinary, the OSC will disclose the amount based on the balances in revenue source codes 6504 – Gain/Loss on Impairment. The OSC will disclose the description of the impairment based on the department provided information on Exhibit U2, Section C. The OSC is also required to disclose in the notes to the financial statements the carrying amount of any idle impaired fixed assets, which is also reported on Exhibit U2, Section C.

The standard requires that insurance recoveries in governmental funds be recorded as other financing sources separate from the restoration or replacement expenditure. All governmental insurance recoveries should be recorded in the Special Capital Construction Fund, Fund 462. This requirement to separate the recoveries precludes netting the insurance proceeds against the restoration or replacement expenditure in the governmental fund. Insurance recoveries may or may not be related to an asset impairment. If the event does not qualify as an asset impairment under GASB Statement No. 42, then the expenditure to restore the asset will be a noncapitalizable object code such as 2220-Bldg Maintenance/Repair SVCS. If an insurance recovery is realizable in the same year, it should be recorded in the governmental fund (debit cash or receivable, credit RSRC5860), and no entry is required in Fund 4710. The insurance recovery offsets the maintenance expense in the government-wide financial statements, so no effect is reported at that level for costs covered by insurance. If the event does qualify as an asset impairment under GASB Statement No. 42, then the expenditure to restore the fixed asset will be recorded in capitalizable object codes such as 6110-Buildings Direct Purchase and related capitalization entries are required in Fund 4710. See Chapter 9, Section 2 for information on converting governmental fund modified accrual insurance recovery entries to full accrual in Fund 4710.

In proprietary funds and on the government-wide statements, the restoration or replacement transaction (debit asset, credit cash – or credit capitalizable expenditure if the entry is in Fund 4710) is also required to be separate from the impairment loss (debit impairment loss, credit asset). However, the standard requires that the insurance recovery (debit cash, credit insurance recoveries) be offset against the impairment loss if the recovery is realizable in the same year as the impairment loss. On the financial statements the impairment loss and the insurance recovery are reported in the same line item, so the offsetting occurs at the financial statement level. If the recovery becomes realizable in subsequent years, it must be reported as revenue rather than as an offset to the impairment loss (debit cash and credit insurance recoveries). Insurance recoveries realizable in the same year as the impairment should be recorded in the existing revenue source code 5860, and insurance recoveries that become realizable in years after the year of the impairment should be recorded in revenue source code 5861. Insurance recoveries are considered realizable when an insurance company acknowledges responsibility for the claim or has paid the claim. Gain or loss on asset impairments should be recorded in revenue source code 6504. A gain on impairment will be reported on the financial statements when insurance proceeds realized in the same year exceed the impairment loss recorded. Insurance proceeds realized in a year subsequent to the year that the asset impairment was recognized will be reported in a separate financial statement line item and not offset impairment losses of that year.

Overpayments received from insurance companies should be allowed to revert to the General Purpose Revenue Fund (Fund 1000) per CRS 24-30-202 (21). However this statute only applies to outside insurance companies, not the State Risk Management Office. If your department receives an overpayment from Risk Management, the excess must be returned to Fund 11P0 to make the Risk Management Fund whole.

2.11 Insurance Recoveries

GASB Statement No. 42 sets the accounting and reporting standard for insurance recoveries as well as asset impairment. Insurance recoveries are deemed realizable when payment is received or when the insurance provider acknowledges coverage of the event. Some insurance recoveries are related to asset impairment and some are not as discussed in Section 2.10.

When an event does not meet the GASB Statement No. 42 requirements for asset impairment, the insurance recovery is recorded as an Other Financing Source in the governmental fund and the restoration or replacement cost is recorded as a maintenance expenditure. In this instance the carrying value of the fixed asset is not adjusted, and therefore, no entries are required in Fund 4710. The insurance recovery offsets the maintenance expense in the government-wide financial statements, so no effect is reported at that level for costs covered by insurance. Expenditures that increase the efficiency or capacity of the asset or increase its useful life should be capitalized.

When an event meets the GASB Statement No. 42 requirements for asset impairment, the insurance recovery is recorded as an Other Financing Source in the governmental fund and the restoration or replacement cost is recorded as a capitalizable property purchase. This requires an adjustment in Fund 4710 to convert the transactions to the full accrual basis of accounting, and to reflect the impairment. The insurance recovery is offset against the impairment loss on the government-wide Statement of Activities. The following example assumes that the insurance recovery is realizable in the same year as the impairment. Note that the transaction results in a $400 gain on impairment because the insurance recovery exceeded the impairment loss originally calculated. (In order to simplify the example, the effect of Accumulated Depreciation is not shown.)

	FUND 1000		FUND 4710	
Capitalizable Property Purchase Expenditure	1,000			
Cash		1,000		
Cash	900			
Insurance Recovery (Other Financing Source)		900		
Capitalizable Property Purchase Expenditure				1,000
Fixed Asset			1,000	
Fixed Asset Impairment Loss			500	
Fixed Asset				500

If the insurance recovery is not realizable in the same year the restoration or replacement occurs, then the following accounting transactions should be recorded. Note that the accounting entries shown in the following table result in an impairment loss in Year 1 due to the write down of the asset and an impairment gain in Year 2 due to the insurance recovery.

	FUND 1000		FUND 4710	
YEAR 1				
Capitalizable Property Purchase Expenditure	1,000			
Cash		1,000		
Capitalizable Property Purchase Expenditure				1,000
Fixed Asset			1,000	
Fixed Asset Impairment Loss			500	
Fixed Asset				500
YEAR 2				
Cash	900			
Insurance Recovery (Other Financing Source)		900		
(No entry is necessary in Fund 471 in Year 2. The Insurance Recovery will be presented as program revenue on the government-wide Statement of Activities).				

The entries for proprietary fund accounting are similar to those above except that they are all made in the proprietary fund. The purchase is made with a budgeted expenditure code, and a JV1STND is processed to reduce the expenditure as unbudgeted and debit the fixed asset. The OSC will report the Capital Asset Impairment Loss and the current year Insurance Recovery in the same line item on the proprietary fund and government-wide statements to comply with the GAAP requirement to net the insurance recovery against the impairment loss. Insurance recoveries in the subsequent year will be presented in a separate line or in program income.

Overpayments received from insurance companies should be allowed to revert to the General Purpose Revenue Fund (Fund 1000) per CRS 24-30-202 (21). However this statute only applies to outside insurance companies, not the State Risk Management Office. If your department receives an overpayment from Risk Management, the excess must be returned to Fund 11P0 to make the Risk Management Fund whole.

2.12 Intangible Assets Including Computer Software Developed or Obtained for Internal Use

GASB 51 addresses the accounting and reporting of intangible assets. An asset is considered identifiable if it is capable of being separated and sold, transferred, licensed, etc., or the asset arises from contractual or other legal rights, regardless of whether the rights are separable. Intangible assets are not reported as a separate asset category, but rather as part of the asset balance within an existing asset category. For example, easements costing $50,000 or more are capitalized into 1800-Land. Internal use software is a significant and common type of intangible asset including systems developed or purchases such as Colorado Benefits Management System (CBMS) and the Colorado Operational Resource Engine (CORE).

Internal use software and categorizes the development into phases. The general treatment of costs for each phase is summarized below:

Phases	General treatment of costs
Preliminary Project Stage	Expensed
Application Development Stage	Capitalized
Post Implementation/Operation Stage	Expensed

Definitions (applicable in this section only):

Internal Use Computer Software – Internal use computer software has both of the following characteristics; the software is acquired, internally developed, or modified solely to meet the entity's internal needs, and during the software's development or modification, no substantive plan exists or is being developed to market the software externally.

Preliminary Project Stage – Includes determination of system requirements, development of alternatives, vendor demonstrations of their software, evaluation of alternatives, and final selection of alternatives.

Application Development Stage – Includes software configuration and interface, coding, installation of hardware, testing, and data conversion.

Post-Implementation/Operation Stage – Includes training and maintenance costs.

Upgrades and enhancements – Includes modifications to existing internal use software that result in additional functionality – modifications to enable the software to perform tasks that it was previously incapable of performing.

Internal Costs – Costs paid to employees or other organizations within the entity, for example, payroll costs and programming costs of internal programmers.

External Costs – Costs paid to outside vendors, for example, software licenses.

Estimated Useful Life – The period over which the internal use computer software will be amortized. In assessing estimated useful life, entities should consider the effects of obsolescence, technology, competition, and other economic factors. Given the history of rapid changes in technology, software often has had a relatively short useful life.

Costs to be Expensed:

The following costs should be expensed as they are incurred:

- Internal and external costs incurred during the preliminary project stage
- Training during all project stages
- Data conversion costs are normally considered part of the post implementation/operations stage and should be expensed unless they are determined to be necessary to make the

computer software operational

- Internal costs incurred for maintenance
- General and administrative costs and overhead costs
- Maintenance costs in post implementation/operation stage

Costs to be Capitalized:

The following costs should be capitalized and amortized over the useful life:

- Internal and external costs incurred to develop internal use computer software during the application development stage
- External direct costs of materials and services consumed in developing or obtaining internal use software. Examples include fees paid to third parties for services provided to develop the software during the application development stage, costs incurred to obtain computer software from third parties, and travel expenses incurred by employees in their duties directly associated with developing software.
- Payroll and payroll-related costs such as benefits for employees who are directly associated with and who devote time to the internal use computer software project, to the extent of the time spent directly on the project. Examples include coding and testing during the application development stage. See Section 1.6 of this chapter for additional information regarding the capitalization of personal services costs.
- Interest costs incurred while developing internal use computer software (proprietary fund accounting only – governmental type activities should not capitalize related interest costs).

<u>Multiple Element Software Arrangements Included in Purchase Price</u>

Where the price of internal use computer software from a third party includes multiple elements, the entity should allocate the costs among all individual elements. Examples of these elements are training, maintenance fees, and data conversion. The allocation should be based on objective evidence of fair value of the elements in the contract, not necessarily separate prices stated within the contract for each element. The separate elements should be accounted for in accordance with the provisions of this guidance and GASB Statement No. 51.

<u>Timing of Capitalization</u>

Capitalization of costs should begin when both of the following occur: preliminary project stage is completed; and management authorizes and commits to funding a computer software project, and it is probable that the project will be completed and the software will be used to perform the function intended. Capitalization should cease no later than the point at which a computer software project is substantially complete and ready for its intended use – after all substantial testing is completed.

<u>Amortization</u>

For each module or component of a software project, amortization should begin when the computer software is ready for its intended use – after all substantial testing is completed. The capitalized costs of internal use computer software should be amortized on a straight-line basis unless another systematic and rational basis is more representative of the software's use.

<u>Upgrades and Enhancements</u>

Costs for upgrades and enhancements that are material in relation to total project costs, should be capitalized or expensed using the same guidelines used for internal use software described in this guidance and GASB Statement No. 51. Costs for upgrades and enhancements that are not material should be expensed as incurred.

Impairment

Impairment should be recognized and measured in accordance with the provision of paragraph 9 of GASB Statement No. 42. In addition, stoppage of development of computer software constitutes an asset impairment.

CHAPTER 4: SECTION 3
ACCOUNTING FOR CAPITAL RELATED DEBT AND NONCAPITAL DEBT

3.1 Capital Leases

Governmental accounting standards require special treatment of governmental fund capital leases as outlined in GASB Statement No. 62. The objective of the requirements is to show on the fund-level operating statement the source and use of funds related to the financing arrangement that resulted in the entity recording a fixed asset and related lease liability on the government-wide financial statements.

In the inception year of the lease, agencies should debit the appropriate object codes in the 63*xx* or 64*xx* series (Capital Property Lease Purchase) for the total value of the lease-purchased asset using unbudgeted posting codes. The agencies should credit revenue source code 7200 (Future Capital Lease Payments) for an amount equal to the amount recorded in unbudgeted posting codes. The fixed asset and related lease liability should be recorded in the General Full Accrual Account Group (GFAAG – Fund 4710) in the same amount as was recorded in unbudgeted expense account. This entry is part of the conversion to full accrual described below. If current or subsequent year lease payments are budgeted, record them as budgeted expenditures in account 6810 (capital lease principal) and 6820 (capital lease interest).

Lease payments are normally recognized as expenditures in the year in which they are due. However, if debt service resources have been provided (that is, budgeted from general-purpose revenues or recognized augmenting revenue) during the current year for payment of principal and interest due early in the following year, the expenditure and related liability may be recognized in the fund and the principal amount removed from the General Full Accrual Account Group (GFAAG – Fund 4710).

The accounting for leases recorded in governmental funds must be converted to the full accrual basis of accounting. Journal entries to convert to full accrual are done in the General Full Accrual Account Group (GFAAG – Fund 4710). The OSC prefers (but does not require) that the conversion entries be made at the same time the lease accounting entries are made in the governmental fund. The capitalizable property purchase expenditure and other financing source recorded in the governmental fund at inception of the lease must be eliminated. In addition, the governmental fund expenditure related to lease principal payments must be converted to a reduction of lease liability.

The accounting for capital leases in proprietary funds is similar, except that entries are recorded in the fund itself.

The JV1CL document is used to record these transactions. For detailed event types and entries, please see the CORE TA PO_04 Capital Lease policy on the http://core.state.co.us website. For more information about the classification of leases please see OSC's Lease Classification Policy on its website.

3.2 Inception of a Capital Lease

EVENT TYPE		FUND 1000		FUND 4710	
XT09	Capital Lease Purchase Expenditure	5,000			
XT09	Future Capital Lease Payments		5,000		
XT62 (pending)	Equipment			5,000	
XT60	Leases Payable				5,000

XT60	Future Capital Lease Payments			5,000	
XT62 (pending)	Capital Lease Purchase Expenditure				5,000

Several equivalent event types specific to proprietary funds are available whereby all entries are made directly in the fund.

The above scenario represents direct method; however additional event types are available for financed capital leases. For financed capital leases, in order to determine the amount of net investment in capital assets, unspent capital lease proceeds must be reclassified. If capital lease proceeds are unspent at year-end (a material amount still remains in cash) then that amount of Capital Leases Payable must be reclassified to Unspent Capital Lease Proceeds (Event Type XG84).

3.3 Capital Lease Payment

Under modified accrual, the total lease payment is an expenditure of the current period while under full accrual only the interest cost is an expense of the current period. In Fund 471, the Capital Lease Principal Expenditure is converted to a reduction of the lease payable.

EVENT TYPE		FUND 1000		FUND 4710	
XT75	Capital Lease Principal Expenditure	1,000			
XT77	Capital Lease Interest Expenditure	500			
XT75/XT77	Cash with Trustee		1,500		
XT79	Leases Payable			1,000	
XT79	Capital Lease Principal Expenditure				1,000

Several equivalent event types specific to proprietary funds are available whereby all entries are made directly in the fund.

3.4 Energy Performance Contracts – Issuance and Payments

Energy performance contracts are a combination of a financing arrangement and capital lease. These involve three parties – the State, the vendor, and the financing company. Typically, the State enters into an agreement to with the financing company and funds are placed in escrow. The State authorizes the financing company to pay the vendor from the escrow account as work progresses. Upon completion, the State begins making the payments under the financing agreement. The utility savings generated by the upgrades are intended to cover the cost of the lease payments.

	FUND 1000		FUND 4710	
Cash with Trustee	5,995,000			
Issuance Costs (if applicable)	5,000			
Future Capital Lease Payments		6,000,000		
Record cash related to financing agreement (if held in escrow)				
Future Capital Lease Payments			6,000,000	
Capital Lease Payable				6,000,000
To record lease liability				

Construction In Progress/Equipment			10,000	
Cash with Trustee		10,000		
Capital Lease Expenditure	10,000			10,000
To record asset (may be as drawdowns occur or at completion based on when legal ownership passes to the department/institution)				
Capital Lease Principal Expenditure	1,000			
Capital Lease Interest Expenditure	500			
Cash		1,500		
Leases Payable			1,000	
Capital Lease Principal Expenditure				1,000
To record lease payment				

In order to determine the amount of net investment in capital assets unspent capital lease proceeds must be reclassified. If capital lease proceeds are unspent at year-end (a material amount still remains in cash) then that amount of Capital Leases Payable must be reclassified to Unspent Capital Lease Proceeds.

Entries for proprietary funds are similar, except all entries are recorded in the proprietary fund itself.

3.5 Bond Issuance and Payments

Bond issuance costs and payments are handled similarly to capital leases described starting in Section 3.1. The premium/discount, and gain/loss on refunding are amortized over the life of the bond and at each year end unspent proceeds must be reclassified to the Unspent Bond Proceeds account. Certificates of Participation (COPs) are handled similarly except recorded in COP specific accounts. The entries to be completed on a JV1BOND document for governmental and enterprise funds are as follows:

Event Type	Description	Fund	Debit	Credit
GOVERNMENTAL FUNDS BOND ISSUANCE				
XT01	Record Proceeds	1000	Cash	Bond Proceeds
XT14	Record Premium[1]	1000	Cash	Bond Premium Revenue
XT15	Record Issuance Costs	1000	Cost of Issuance	Cash
XT16	Record Liability for Proceeds	4710	Bond Proceeds	Bonds Liability
XT17	Record Liability for Premium[1]	4710	Bond Premium Revenue	Bond Premium Liability
	Record Bond Issuance			
XT03	Principal Payment	1000	Bond Principal Expenditure	Cash
XT20	Interest Payment	1000	Interest Expense	Cash
XT26	Reduce Liability for Principal Payment	4710	Bonds Payable	Bond Principal Expenditure/Expense
	Record Bond Payment			
XT28	Accrue Interest at year-end	4710	Interest Expense	Accrued Interest Payable
XT24	Amortize Premium[1]	4710	Unamortized Premium	Interest Expense
XT25	Reclassify of Unspent Proceeds (for calculation of Net Investments in Capital Assets)	4710	Bonds Payable	Unspent Bond Proceeds
XT27	Reclassify between Current and Long-Term	4710	Bonds Payable-Long Term	Bonds Payable- Current
	Year-End Entries			

Event Type	Description	Fund	Debit	Credit
ENTERPRISE FUNDS BOND ISSUANCE				
XT02	Record Proceeds	4100	Cash	Bonds Payable
XT18	Record Premium[1]	4100	Cash	Bond Premium Payable
XT19	Record Issuance Costs	4100	Cost of Issuance	Cash
	Record Bond Issuance			
XT04	Budgeted Principal Payment	4100	Cash Bond Principal Expenditure/Expense	Cash
XT30	Budgeted Interest Payment	4100	Interest Expense	Cash
XT32	Liquidation of Interest Accrual (assuming outstanding interest payable accrual from prior year)	4100	Accrued Interest Payable	Cash
XT31	Service Bond Debt Establish Payable		Bonds Payable	Unbudgeted Expense
	Record Bond Payment			
XT33	Amortize Premium[1]	4100	Unamortized Premium	Interest Expense
XT34	Reclassify of Unspent Proceeds (for calculation of Net Investments in Capital Assets)	4100	Bonds Payable	Unspent Bond Proceeds
TBD	Accrue Interest at year-end	4100	Interest Expense	Accrued Interest Payable
TBD	Reclassify between Current and Long-Term	4100	Bonds Payable-Long Term	Bonds Payable- Current
	Year-End Entries			

[1]Applicable to Discounts, reverse debits and credits

3.6 Bond Refundings

Bond refundings are similar to bond issuances and payments. The refunded issuance is removed from the books, and the new issuance recorded both with the corresponding full accrual 4710 for governmental funds, and the fund itself for proprietary funds.

Event Type	Description	Fund	Debit	Credit
GOVERNMENTAL FUNDS REFUNDING BONDS				
XT39	Payment from New Proceeds to Escrow Agent	1000	Payments to Escrow Agents	Cash
	Payment from New Proceeds to Escrow Agent			
XT05	Remove LT Portion of Refunded Bonds	4710	Bonds Payable-Long Term	Unbudgeted Expense
XT35	Remove Current Portion of Refunded Bonds	4710	Bonds Payable- Current	Unbudgeted Expense
XT36	Remove Unamortized Premium	4710	Unamortized Premium	Unbudgeted Expense
XT37	Record Deferred Outflow for Loss on Refunding	4710	Loss on Refunding (Deferred Outflow)	Unbudgeted Expense
	Record Removal of Refunded Debt, Record New Debt as Noted Above			
XT38	Amortization of Refunding Loss	4710	Amortization of Gain/Loss	Gain/Loss on Refunding
	Year-End Entries (in addition to those Noted Above)			
ENTERPRISE FUNDS REFUNDING BONDS				
XT43	Payment from New Proceeds to Escrow Agent (only necessary when budgeted)	4100	Payments to Escrow Agents	Unbudgeted Expense
	Payment from New Proceeds to Escrow Agent			
XT06	Remove LT Portion of Refunded Bonds	4100	Bonds Payable-Long Term	Cash
XT40	Remove Current Portion of Refunded Bonds	4100	Bonds Payable - Current	Cash
XT42	Remove Unamortized Premium	4100	Unamortized Premium	Unbudgeted Expense
XT41	Record Deferred Outflow for Loss on Refunding	4100	Loss on Refunding (Deferred Outflow)	Cash
	Record Removal of Refunded Debt, Record New Debt as Noted Above			
TBD	Amortization of Refunding Loss	4100	Amortization of Gain/Loss	Gain/Loss on Refunding
	Year-End Entries (in addition to those Noted Above)			

3.7 Noncapital Debt

Noncapital debt is treated similarly to capital debt, except that noncapital liability codes are used. Additionally, an entry to record unspent proceeds at year-end is not necessary.

CHAPTER 5: SECTION 1
INFOADVANTAGE REPORTS

This section provides information on primary infoAdvantage and can be run at any time. See Chapter 10, Section 2 for additional information applicable across infoAdvantage reports.

1.1 Diagnostic Reports

The diagnostic reports are used as a monitoring tool by both the departments and the OSC for management purposes and in the quarterly reporting process (see Chapter 5, Section 4) and for assuring that agencies have completed critical year-end closing processes. The reports can be found in the OSC Diagnostic Folder, unless otherwise noted.

infoAdvantage Report ID	Report Title	Description
	Capitalizable Costs Compared to Fixed Asset Additions	This report will identify mismatches between expenditures marked as capitalizable as compared to the expenditure offset in the capitalization fund. Mismatches indicate that errors may have occurred and must be reviewed and cleared.
	Financial Statement Variance Analysis Report	This report will assist in the evaluation of the accuracy and completeness of financial entries.
	TABOR Variance Analysis Report	This report will assist in the evaluation of the accuracy and completeness of TABOR revenue.
	Unchanged Balances	This report will identify balance sheet balances unchanged from the prior year to assist in the identification of errors or required adjustments.
Department Reports Folder	Exhibit J Financial Statement Report	This report identifies the State presentation of specific Departments/Funds required to issue stand-alone financial statements. Stand-alone financial statements must reconcile to this report.
	Budget Augmenting Revenue	This report will identify revenue in excess of expenditures in cash, federal, and reappropriated appropriations in the general fund.
	Legal Overexpenditure	This report will identify overexpenditures at the legal level of control and will supplement the existing budget to actual and OSC-009 reports.
OSC-001	Appropriations with $0 Budget	This report identifies appropriation units with expenses and $0 Budgets. Departments should record budget or reclassify expenses as necessary.
OSC-002	Cash Out of Balance on JV1STND, JVC, and CHC Documents	This report identifies instances where Treasury pooled cash does not net to zero within a single document. These require correction as any net cash transaction must occur on transaction that routes to the Treasury or the OSC on a JV1ADVN document. Report totals should net to $0 by department, or by doc department for JV documents crossing cabinets.
OSC-003	Abnormal Balances	This report indentifies abnormal balances and clearing accounts with balances. This report does not include Fund 4710 or 399x, nor does it include deficit cash balances in Fund 1000 or 4610. Items on this report need to be investigated and generally require correcting entries.
OSC-006	Missing Data Elements – Journal Voucher Type Documents	To identify documents processed with missing Revenue APPR, RSRC, Object APPR, OBJ, FUND,

infoAdvantage Report ID	Report Title	Description
		DEPT, BSA.
OSC-008	Missing Data Elements – Summary Combining All Documents	To identify documents processed with missing appropriation units, revenue source codes, object codes, funds, departments, and balance sheet accounts. Corrections can made using the JV1ADVN document.
OSC-009	Over Expended by Accounting Period	This report identifies overexpended line items.
OSC-010	Under Earned Revenue – By Accounting Period	This report identifies appropriation types with insufficient revenue to cover expenditures. This report will include fund balance authority as earned revenue via event type XG30. Underearned revenue at year end is reported as an overexpenditure.
OSC-011	Higher Ed Capital Construction Transfers Compared to Institutional Fund Expenditures	This report shows mismatches between transfers out of the Capital Construction Fund, and project level expenditures within Higher Education Funds. The BSA 6610 capitalization offset is not included in this report.
OSC-012	Transfer Balancing - Other Cabinet	This report identifies net out-of-balancing conditions for transfers across cabinet.
OSC-013	Transfer Balancing - Same Cabinet	This report identifies net out-of-balancing conditions for transfers within the same cabinet.
OSC-014	Higher Ed Transfer Balancing	This report identifies net out-of-balancing conditions for transfers across Higher Education Institutions and between institutions and other non-institution Departments/Cabinets.
OSC-015	Higher Ed Noncapitalizable DPA Emergency Controller Maintenance Projects	This report compares DPA emergency maintenance funds distributions and the revenue received by Higher Ed Institutions.
OSC-016	Unbudgeted Posting Codes	This report contains a summary of unbudgeted expenditures and revenues to allow for identification of potential problems such as improper use of unbudgeted posting codes or missing unbudgeted entries.
OSC-017	TABOR Audit Adjustments	This report is used by the OSC to review entries impacting TABOR.
OSC-018	Exhibit Reconciling Balances	This report assists in the preparation of the exhibits for those exhibits required to tie to CORE ending balances.
OSC-019	Capital Construction Continuing and Expiring Projects	This report provides a listing of both the expiring and continuing capital construction projects.
OSC-021	Capital Construction Expenditures Spent Compared to Budgeted Expenditures Compared to Budget	This report provides a summary of capital construction expenditures expressed as a percentage of the project budget. Projects with multiple funding sources should be spent proportionally.
OSC-022	BFY FY Offset Revenues and Expenditures	This report identifies transactions posted with unmatched fiscal year and budget fiscal year values. This is a special report for FY2015 and FY2016.
OSC-023	Cash Funds Report_All Funds	This report is used for uncommitted cash fund reserve reporting. Departments are encouraged to use this report throughout the year to ensure revenues are properly recorded (see Chapter 5, Section 7).
OSC-024	Fund Balance Deficits	This report lists funds with deficit fund balances at the cabinet and department code levels.

1.2 Calendar Year End Point-in-Time Reports

It is anticipated that infoAdvantage reports will be available by June 30 for subsidiary detail and balances as of June 30 for the following three balance sheet control accounts:

- Billed Accounts Receivable (account 1330)
- Vouchers Payable (account 2100)
- Warrants Payable (account 2000)

These calendar month-end reports are intended for use by agencies to reconcile and analyze these three system accounts prior to the actual close. The Vouchers Payable report is unique in that it is also expected to be an accounting period report that will be produced for the close of periods 12 and 14.

1.3 Primary Year-End Financial Reports

Significant standard reports include:

- The GA-001 report will provide Statement of Revenues, Expenses and Balance Sheet reports at the fund level that is the basis for the Exhibit I certification.
- Departments should run financial reports through period 16. Period 99 is the system year end close period and should not be used for reporting.
- The annual close process posts fiscal year beginning balances in period 0 each year. However, for reporting purposes, fiscal year beginning balances should be considered the period 1 beginning balance and reports should be run as of period 1.

CHAPTER 5: SECTION 2
PROCEDURES FOR PREPARING ANNUAL EMPLOYEE TRAVEL EXPENSE REPORT

Travel Reporting Overview:

CRS 24-30-202(26) requires that "The controller shall make available a report no later than February 1 of each year to the governor, the joint budget committee, and the legislative audit committee regarding the travel expenses of state employees for the prior fiscal year. Such report shall include, but shall not be limited to, an itemized list of the travel expenses of each department including in-state travel, out-of-state travel, and international travel. The controller shall notify, in the most cost-effective manner available, the governor, the joint budget committee, and the legislative audit committee of the availability of the report and offering to provide copies of the report."

Under CRS 24-30-202(13) (b) & (d), Higher Education Institutions may elect to exempt their institutions from the State fiscal rules. The exempted Higher Education Institutions shall not be required to comply with the Annual Travel Expense Report. The Higher Education Institutions who opted out during the fiscal year will be listed in the report.

At the request of the Office of the State Auditor, the Employee Travel Expense report includes information on the number of personal vehicle miles driven by state employees broken out by in-state and out-of-state travel and two-wheel drive and four-wheel drive miles.

Statute requires only the reporting of travel expenses incurred by state employees, use of the distinguishing object of expenditure codes is critical for the proper separation of expenses between state employees and nonemployees. If an individual acts in more than one capacity (e.g., employee and witness, employee and juror, student employee and athlete), report only those expenses that individual incurred while traveling in the course of his/her employment as employee expenses. All travel expenses incurred outside the course of employment should be reported as nonemployee expenses.

The object and sub-object codes used in the preparation of the annual report are:

In- State Travel - State Employees

- 2510 - In-State Travel
- 2511 - In-State Common Carrier Fares
- 2512 - In-State Personal Travel Per Diem
- 2513 - In-State Personal Vehicle Reimbursement
  - 2WHD – Two Wheel Drive Vehicle Mileage (optional)
  - 4WHD – Four Wheel Drive Vehicle Mileage
- 2514 - State Owned Aircraft
- 2515 - State Owned Vehicle Charges
- 2516 – In-State Personal Aircraft Reimbursement

Out-Of-State Travel - State Employees

- 2530 - Out-Of-State Travel

2531 - Out-Of-State Common Carrier Fares

2532 - Out-Of-State Personal Travel Per Diem

2533 - Out-Of-State Personal Vehicle Reimbursement

2WHD – Two Wheel Drive Vehicle Mileage (optional)

4WHD – Four Wheel Drive Vehicle Mileage

International Travel - State Employees

2550 - Out-Of-Country Travel

2551 - Out-Of-Country Common Carrier

2552 - Out-Of-Country Personal Travel Reimbursement

EMPLOYEE TRAVEL EXPENSE REPORTING PROCEDURES

2.1 Reviewing Accounting Data

Departments should periodically review all travel related expenditure data to assure that all expenses are properly classified and recorded. The preparation of the annual employee travel report is based on the object and sub-object of expenditure codes that designate travel expenses according to state employee travel. The diagnostic report identifies amounts paid to employees for personal vehicle mileage reimbursement that is missing the sub-object of either (2WHD or 4WHD). These sub-objects are necessary in order to properly report reimbursement amounts and millage. Improper classification and recording will result in agencies having to manually adjust expenses at year-end. To assist in this review, infoAdvantage has detail travel expense reports showing employee travel expenses by fund and object code. The reports are located under "Statewide Reports" in the "General Accounting" folder. The reports are:

- FIN-GA-RP-0006 - Travel Report
- FIN-GA-SR-0006 - Travel Report - Missing Sub-Object Diagnostic

The advantage of having these reports in infoAdvantage is that you may run the reports at any time and that you can "drill down" on the expense balances in the report to determine what specific transactions are included.

2.2 Correcting the Accounting Data

Departments should make correcting entries in CORE prior to Period 13 agency close. Manual adjustments to the final report will not be permitted. Errors identified after Period 13 will need to be corrected through the submission of a Journal Voucher document for OSC approval.

2.3 Preparation of the Annual Travel Report

As of final close of Period 14, departments will need to review amounts presented in the FIN-GA-RP-0006 - Travel Report. Department's representation on their Exhibit I attests to the accuracy of balances presented in this report.

The travel report includes employee travel expenditures summarized by in-state, out-of-state, and international travel. The report is designed to allocate total in-state, out-of-state, and out-of-country employee travel expenses by general, cash/reappropriated, and federal fund sources. These allocations are automatically determined based on the GCF indicator attributed to the appropriation that the expenditures were charged to.

Departments must verify that the amounts calculated for mileage reimbursement and the number of personal vehicle miles driven by state employees for in-state and out-of-state travel. This information is reported for two-wheel drive and four-wheel drive miles. The “FIN-GA-SR-0006 - Travel Report - Missing Sub-Object Diagnostic” report is used to identify any amounts paid to employees for personal vehicle mileage reimbursement that is missing the sub-object of either (2WHD or 4WHD). Departments must correct these entries missing sub-objects to 4WHD or these amounts will be reported as 2WHD. Use of 2WHD is optional and may be elected. The travel report is programmed to report amounts without a sub-object as two-wheel drive.

In accordance with CRS 24-30-202(26), the final employee travel expense report will be available no later than February 1.

CHAPTER 5: SECTION 3
STATUTORY REPORTING OF OUTSTANDING LOANS AND ADVANCES

Per CRS 24-75-204, the State Controller must file an annual report of all loans and advances outstanding at the end of the preceding fiscal year. This report must be filed with the Governor, the JBC, and the Legislative Audit Committee and is due no later than the date identified in the open/close calendar. The OSC prepares the report based on negative cash balances recorded on CORE as of final close June 30 and supports the report with approved department loan or advance applications.

Preparation of loan and advance applications is not solely a year-end task, and agencies need to make sure that all loan and advance approvals are current and accurate throughout the year. Agencies need to assess each of their activities' working capital needs and review cash account balances on an ongoing basis to identify accounts where an approved loan or advance is or may be required. A loan or advance is generally not required for cash deficits in funds 1000 and 4610.

The following policy and procedures covering loans and advances were contained in a memorandum issued jointly by the State Treasury, the OSPB, and the OSC on February 7, 1997. This section contains updates to that original policy to reflect current conditions.

3.1 Policy Statement

CRS 24-75-203 allows the State Treasurer to make working capital loans to state agencies with the approval of the Governor and the State Controller. The statute also allows the State Controller to authorize interest free working capital advances to state agencies. The use of working capital loans and advances is to be kept at a minimum due to the impact on General Purpose Revenue Fund (Fund 1000) cash and because of the negative impact on statewide investment earnings.

CRS 24-75-204 requires the State Controller to submit an annual report to the Governor, the Joint Budget Committee, and the Legislative Audit Committee summarizing all outstanding loans and advances. This report is based on deficit cash balances at the close of the preceding fiscal year and is supported by approved loan and advance applications. This report is due no later than November 30 of each year.

In order to comply with the provisions of CRS 24-75-203 and 204, it is the policy of the State Treasurer, State Controller, and the Office of State Planning and Budgeting that:

- Cash must be on deposit with the State Treasurer except where approved by the State Controller and the State Treasurer, or where exempted by the State Constitution.
- An application for a working capital loan or advance must be submitted and approved for all deficit cash balances unless a specific exemption is granted.
- Deficit cash balances not supported with an approved working capital loan or advance will constitute the unauthorized use of General Purpose Revenue Fund (Fund 1000) cash. This unauthorized use may result in interest charges to the state department with the deficit and may result in other remedies that may include the suspension of activity from the deficit cash account.

The following are commitments made by the State Treasurer, State Controller, and the OSPB to achieve the goal of providing working capital loans and advances to state agencies while minimizing the impact on General Purpose Revenue Fund (Fund 1000) cash and the loss of investment earnings. We will:

- Adopt and communicate criteria defining which activities are eligible for a loan and which activities are eligible for an advance.
- Review the working capital needs of each state department that requests a working capital

loan or advance using information provided by the department.

- Prescribe forms and procedures for state agencies to use in reporting their need for and requesting approval of working capital loans and advances.
- Analyze cash balances on a monthly basis at the fund/department level unless a lower level review is requested by a department or deemed necessary by the State Treasurer or the State Controller.
- Monitor cash balances in the General Purpose Revenue Fund (Fund 1000) and, the Regular Capital Projects Fund (Fund 4610) at the fund-level on a statewide basis. Generally, agencies do not need working capital loans or advances for activities in these specifically identified funds; however, if it is determined that an department is operating in one of these funds and is not in compliance with the statutes or this policy, a loan or advance may be required for that fund/department combination.
- Perform post-audit reviews, as necessary, to ensure state agencies are complying with this policy.

3.2 Definition of Terms

The following are definitions of terms used in this policy:

Deficit Cash Balance - A negative amount in the CORE balance sheet account 1100 - Operating Cash at the fund/department level, or the fund/department/reporting category level when appropriate, at the close of any fiscal period and/or on an average daily balance level at the end of any calendar month.

Teaching Activities or Research - "Teaching" activities are those that include regularly enrolled students of the institution who receive credit toward a degree for participating in this activity. "Research" activities are those that advance the state of knowledge of an academic, vocational, or professional subject being conducted at the institution (testing performed solely for private concerns does not qualify as "research" for the purposes of this policy).

Primary Purpose - A significant majority (75 percent or more) of a fund/departments activities by dollar volume are for a particular activity. For example, if 75 percent of the activity of a fund/department is for teaching and research then this is the fund's primary purpose.

Business Enterprise - An activity that is intended to be self-sufficient by generating adequate revenues through the sale of a product or a service to cover the associated cost of operations. This is not the TABOR definition of an enterprise.

Self-Maintaining Program - Programs that are intended to generate adequate revenues to support or exceed the expenditures incurred by the program.

3.3 Criteria for Determining Working Capital Loans or Advances

Cash balances (CORE account 1100 - Operating Cash) will be evaluated at the fund/department level unless the department, the State Treasurer, or the State Controller believes it is necessary to monitor the balances at a fund/department/reporting category level. A deficit cash balance at the fund/department level indicates the need for a working capital loan or advance. Considering the primary purpose of the fund, the department should apply for a working capital loan or advance at the point in time when a deficit occurs. The OSC is in the process of developing a single monitoring report to identify month-end and average daily balance deficit cash balances.

Departments should have procedures in place to monitor and identify deficit cash balances, so that they can request a working capital loan or advance on a timely basis. The CORE GA-015 report is the best source to identify cash deficits at the fund/department level at the close of a fiscal period. The CORE FIN-GA-SR-0002 - Average Daily Balance report identifies cash accounts with average daily deficit cash balances at month-end. The CORE CBALDQ table provides cash balance information at a summary level.

Fund/departments established solely as system clearing funds are not considered a business enterprise activity or a self-maintaining program and should not have continuous deficit cash balances. However, if a clearing fund has a continuous deficit cash balance, the fund to which the cash is ultimately cleared should be evaluated to determine if the clearing fund requires a working capital loan or advance.

State Fiscal Rule 6-1, requires that agencies make timely deposits of cash to the State Treasury unless otherwise exempted by statute or rule. Withdrawal of these funds and subsequent redeposit into a separate checking account, savings account, or another investment shall be done only when authorized in writing by the State Treasurer and the State Controller. This approval is required even if moneys are subject to bond covenants or are eligible for investment pursuant to CRS 23-5-112.

3.4 Working Capital Loans

CRS 24-75-203(1) allows the State Treasurer to make loans to state departments agencies upon the written approval of the Governor and the State Controller. The OSPB provides the approval for the Governor. Interest on loans shall bear interest at the earnings rate calculated monthly by the State Treasurer. The State Treasurer calculates and charges interest based on the average daily balance of the cash account during a calendar month, and charges interest to the department on a quarterly basis. All loans must be reviewed at least annually.

The following activities are eligible for loans:

- The operation of business enterprises by institutions of higher education when the primary purpose of that enterprise is not teaching or research, and which are, or may be, in competition with private enterprise.
- Any other self-maintaining program of a state department that generates its own revenues and which, in the judgment of the State Treasurer, has the capacity to repay the loan.
- Any other statutorily authorized loan.
- Any fund/department designated as a TABOR enterprise; fund/department is able to issue revenue bonds and receives less than 10 percent of annual revenues in grants from Colorado state and local governments.

The answers to the following questions will be included in the evaluation by the State Treasurer, State Controller, and the OSPB in reviewing applications for working capital loans:

- Does the fund/departments cash account earn interest?
- Is the predominate source of a fund’s cash maintained on deposit outside of the State Treasury?
- Is the predominate source of a fund’s cash on deposit in another fund that is earning interest?
- Is the activity self-supporting continuing education?

All deficit cash balances in any fund/department will be considered to be eligible for a working capital loan, and the department may be charged interest by the State Treasurer, unless the department submits an application and can demonstrate that the activity is eligible for a working capital advance. Any deficit cash balance that exists that is not supported by an approved working capital loan or advance application from a department may be charged interest as if it were a loan.

3.5 Working Capital Advances

CRS 24-75-203(2) allows the State Controller to authorize interest-free advances to state agencies to provide working capital for certain programs. The statute sets a limit of no more than $12 million in advances to any one department, department, or institution. These advances must be reviewed annually and shall be repaid at such time as the State Controller directs.

The statute defines the following activities as eligible for an advance:

- The operation of a program other than those defined in CRS 24-75-203(1) and discussed in Section 3.4 of this chapter.
- Federal programs for which federal advances or letters of credit are not available.
- Any other statutorily authorized advance.

Other factors that will be evaluated by the State Treasurer and the State Controller in reviewing applications for working capital advances include:

- Is cash designated to support a fund/departments activity on deposit with the State Treasurer or in another department pending a distribution/allocation to the fund/department with the deficit cash balance?
- Does the fund/departments cash account earn interest?

3.6 Working Capital Advances for Tobacco Settlement Programs

CRS 24-75-1104.5(7) allows the controller to "authorize an advance without interest to state agencies to provide working capital for the operation of tobacco settlement programs. If the fund receives other sources of revenue, this statute only applies to the portion received from the tobacco settlement allocation. Although the statute does not set a dollar limit, it is expected the advance will be repaid upon receipt of the second tobacco settlement payment in April.

3.7 Additional Criteria Guidelines for Institutions of Higher Education

For higher education governing boards, deficit cash balances will be monitored at the board level. Deficits in individual funds within those boards will not be reviewed for this purpose. If a deficit does occur at the board level, it will require an interest-bearing loan from the State Treasury.

3.8 Processing a Loan or Advance Application

Agencies should prepare loan or advance applications when a fund/department under their control incurs a cash deficit. The dollar amount of the request should be adequate to cover any existing or potential cash deficit. If a deficit exceeds an approved loan or advance amount, a revised application must be submitted. Upon approval of a revised application, the previously approved loan or advance will be null and void.

Failure to submit an application when a deficit has occurred may result in interest charges, and may result in the suspension of activity in the affected fund/departments cash account. At year-end if a department has not responded to requests for Loan/Advance applications, the Consulting and Analysis unit will send the department a notice of noncompliance and file the notice in the OSC Loans and Advance file, which is subject to auditor's review.

All loans and advances must be reviewed annually. Beginning in FY2016, applications should be submitted on a fiscal year basis. To ensure adequate review time, applications for the renewal of an existing loan or advance should be submitted one month prior to the expiration date.

If a loan or advance application is for activities that are not federally funded and the request exceeds $300,000, a 24-month cash flow projection is required as support to the application. If the activity is federally funded and the request exceeds $1,000,000, a 24-month cash flow projection is required as support to the application. The cash flow analysis should be for the period of the loan or advance plus the subsequent number of months necessary to total 24 months. When there is a mixture of activities within the fund, the nature of the request and the primary purpose of the fund should be considered in determining if a cash flow projection is required.

Cash flow analysis should include a narrative description of the assumptions on which the cash flow is based. The assumptions may include stable, increasing, or decreasing revenue flows, source of revenues, industry trends, stable or unstable expenditure flow, economic trends, etc. At a minimum, the cash flow analysis should show on a monthly basis for 24 months the beginning cash balance, expected receipts and disbursements, and ending cash balance. Receipts and disbursements may be broken out as to the type of receipt (e.g., fees and fines) and to the type of disbursement (e.g., personal and operating).

The application forms included in this section should be used for all requests for working capital loans or advances. There is a standard form to be used for initial requests, revisions, and renewals. There is also a quick renewal form that may be used to renew existing loans or advances only when the conditions, other than the period and amount, for that loan or advance have not changed from the prior approved request. Complete and obtain the necessary signatures on the applications and forward them to your OSC Consultant.

Please contact your OSC Consultant if you have questions regarding this policy or the procedures or forms necessary to apply for a loan or advance.

CHAPTER 5: SECTION 4
PROCEDURES FOR PREPARING QUARTERLY FINANCIAL REPORTS

4.1 Quarterly Reporting Overview

CRS 24-30-204(2) requires all departments, institutions, and agencies to submit a quarterly report of financial information to the State Controller that shall include financial information deemed reasonable and necessary. The following section sets forth the State Controller's policy and guidelines to accomplish the intent of this important law and is amended to incorporate modifications deemed necessary after review and analysis.

4.2 Policy Statements Related to Quarterly Reporting

Timely and accurate financial reporting is vital for the proper functioning of state government. Such financial information must be available for controllers, program administrators, executive management, legislators, and their staff for decision making and planning purposes.

The following policy statements shall apply:

1. This policy applies to all state departments and institutions, including all boards and commissions.
2. Generally, monthly interim accruals will not be allowed in CORE except certain revenue accruals specifically approved by OSC. Annual accruals are required for year-end closing.
3. Each quarterly reporting period should be regarded as an integral part of the fiscal year. Thus, in general, the results for each quarterly period should be applied on a modified cash basis. Expenditures such as salaries and operating expenditures should be posted as they occur. Arbitrary assignment to periods is not appropriate.
4. The state financial system, CORE, shall be the system for recording timely and accurate financial data and from which CORE standard reports shall be prepared and forwarded to the controller in compliance with the reporting requirement of this law.
5. All state departments operating directly in CORE are strongly encouraged to use the cost accounting module of CORE to facilitate accounting and revenue recognition.

4.3 Guidelines for Quarterly Reporting

The following guidelines are to be implemented in order to carry out the policy statements set forth above.

1. This guideline applies to all fund types except for agency funds (Fund 9xxx), and the general full accrual account group (Fund 4710). For the Department of Higher Education this guideline shall apply only to Fund 305M, Fund 320x, and capital construction Fund 4610.
2. State agencies with sponsored programs are to timely bill and collect from the sponsoring entities as provided by the State Fiscal Rules.
3. Direct billing agencies are to standardize the billing and cut-off dates so that the cost of the various services may be consistently charged. A standardized schedule of billings will be distributed to all affected agencies.
4. State departments are encouraged to clear all suspense and clearing accounts to zero. If an individual clearing/suspense account balance exceeds $7,500 at quarter-end, a variance disclosure statement must be submitted in accordance with paragraph 8.d of this policy. The balance sheet accounts covered by this provision include accounts with an abnormal balance indicator of "Z" in the first character of the BSA Type rollup field.
5. Physical counts of consumable inventories, fixed assets or accrual for compensated absences are generally not required for quarterly financial reporting purposes. However, when in the judgment of a controller or chief financial officer, a sudden loss, known obsolescence or

seasonal variation materially affects expenditures or an asset then an accounting adjustment during the quarterly period should be completed.

6. State departments shall clear all funds and appropriation codes established for the purpose of clearing activity that should be properly recorded in another fund to zero. Examples are funds and appropriation codes established to record payroll activity prior to distribution to the appropriate fund where the expense was incurred.
7. State departments shall correct all inappropriate abnormal account balances. Credit balance expenditures and receivables, debit balance revenues and payables all have the impact of misstating a department's financial position and should be corrected. All account balances should be properly recorded.
8. Reporting to the State Controller under this policy shall be met by the requirements listed below. These reporting requirements are in addition to other requirements as set forth in CRS 24-75-102 and 24-30-204(1).
    a. Review of CORE OSC Diagnostic Reports available in infoAdvantage. See Chapter 5, Section 1 for a review of these reports.
    b. Review of CORE report BA -003 - Budget vs Actual - By LBLI, Appropriation Type, Appropriation Unit & Fund available in infoAdvantage
    c. Review of CORE report GA-001 available on demand in infoAdvantage. Please note the GA-001 is most useful after the prior fiscal year is closed, ending balances have rolled forward, and when run for period 14 of the current fiscal year. Departments may substitute a review of the GA-001 with one of the other trial balance reports in infoAdvantage (such as the GA-010 or GA-017) run for nominal and real accounts for quarterly reporting purposes.
    d. On an exception basis, a variance disclosure statement will be prepared by a controller or chief financial officer explaining why compliance with CRS 24-30-204(2), and/or this policy/guidelines was not possible for the quarter reported thereon. This variance disclosure statement must be directed to the State Controller. Variance disclosure statements must be received in the OSC no later than the 25th of the month following the quarter-end close. Earlier due dates may be established by the OSC Consulting & Analysis Unit, if necessary, and will be communicated in your quarterly reporting variance notification.
    e. Based on a review of CORE reports, department or institution controllers are encouraged to continue to provide department executive management with a financial summary highlighting significant trends, issues or developments.

In order to comply with this policy, departments must complete the above reporting requirements within 25 days after the quarter ends.

4.4 Quarterly Reporting Procedures

The OSC published a series of diagnostic reports showing potential noncompliance conditions that can be run on demand. Diagnostic reports are available in infoAdvantage as described in Section 4.1 of this chapter. Additional diagnostic reports are in development and departments will be notified when they are published.

Agencies have until the close of the quarter in which to review the reports and make the necessary adjusting entries in CORE to correct the conditions. Agencies should make every effort to correct all abnormal account balances, out-of-balance conditions, overexpenditures, and other items identified in the reports.

Agencies should submit variance disclosure statements to their respective OSC Consulting &

Analysis Unit controller for material items that were not corrected and are not in compliance with the established guidelines. The agencies have until the 25th of the month following the quarter close (unless an earlier due date has been established and communicated in your quarterly variance notification) to review the final quarter close diagnostic reports and where applicable, provide the variance disclosure statement to the OSC.

For each of the first three quarters, the State Controller prepares a report highlighting significant trends or financial conditions for the General Purpose Revenue Fund (Fund 1000) and Regular Capital Projects Fund (Fund 4610). This report is given to the Governor, the OSPB, and the JBC. This report also includes significant problems or issues identified at the department level that could have a material or significant impact at the statewide level.

At fiscal year-end, the quarterly diagnostic reports will be available as a tool for agencies to use to identify and correct problems. Department variance disclosure statements are not required to be submitted to the State Controller for the fourth quarter.

CHAPTER 5: SECTION 5
TABOR REPORTING

5.1 Background

Article X, Section 20, the Taxpayer's Bill of Rights (TABOR), was added to the Colorado Constitution as a result of the passage of Amendment 1 in the November 1992 general election.

The passage of amendments and referendums has since affected certain TABOR requirements.

- Amendment 23 in the 2000 election established the State Education Fund that receives one third of one percent of federal taxable income (AGI), and exempts that revenue from the TABOR count.
- Referendum A in the 2000 election exempted fifty percent of the first $200,000 of actual value as of the assessment date of residential and real property of an owner-occupier. The State was required to reimburse local governments for the net amount of property tax revenues lost as a result of the property tax exemption provided. For TABOR purposes the state fiscal year spending limit was increased by $44.1 million in FY2002.
- Amendment 35 in the 2004 election increased tobacco taxes and excluded the increase from the TABOR count.
- Referendum C, passed in the 2005 election, allowed the State to retain and spend all revenues in excess of the TABOR limit through FY2010. However, it did not remove the requirement that the State compute and report on TABOR during the five year refund hiatus. The referendum also required that the highest population and inflation adjusted fiscal year spending amount during the five year period be used as the base in calculating the Excess State Revenues Cap beginning in FY2011. As a result, accounting for and reporting on the TABOR requirements remains an important responsibility of all accountants and managers in the State.
- Proposition AA passed in the 2013 election, authorized the State to impose additional sales tax and excise tax on recreational marijuana sales.
- Other minor voter approved revenue changes have occurred, such as, exempt fees for hog farm regulation and maintaining a registry for medical use of marijuana.

Other than Article X, Section 20 itself, the most pertinent TABOR legislation is CRS 24-77-101 to 107 which provides implementation guidance and clarifies many of the terms used in TABOR.

5.2 TABOR District and Exclusions From the District

The District is defined by TABOR as "… the state or any local government, excluding enterprises." In addition to enterprises, CRS 24-77-102(16)(b)(II) also excludes any special purpose authority from the District.

Enterprises are designated in one of two ways. The first method is by statute; the second method, which is exclusive to higher education enterprises, is by designation of the governing boards with review by the State Auditor. If an enterprise is designated by statute or a higher education governing board, it still must annually meet additional requirements to be excluded from the District in that year. The enterprise must be a government-owned business authorized to issue its own revenue bonds and receive less than 10 percent of its annual revenue in grants from all Colorado State and local governments combined.

For FY2016, qualified enterprises are:

Name	Citation	Department Code	Unit	Funds Included
Brand Board	35-41-101(5)(a)	BBAA		1080, 1090, 7210
Capitol Parking Authority	24-82-103(5)(a)	AADA	4410	5190
Clean Screen Authority	42-3-304(19)(a)(II)	TCAA		5200, and all funds
College Assist	23-3.1-103.5(1)(a)	GDAA		5010, 5020, 5110, 5230, 5240, 5260, & all funds except 4610
CollegeInvest	23-3.1-205.5	GRAA		512S-515S, 5270, 5280, 5450, 5460, & all funds except 4610
Correctional Industries	17-24-104(1)	CFAA, CFBA, and CFCA		5070, 5080, 5060, & all funds except 4610
Higher Education Institutions	23-5-101.7(2)	GFXX, GGXX, GJXX, GKAA, GLAA, GMAA, GSAA, GTAA, GWAA, GZAA		Fund 320x, 334G, 335G, 3420, 399G, & all funds except 1000, 305x, 333F, and 4610
Parks and Wildlife	33-9-105	PMAA		16H0, 1720, 1730, 1750, 2100, 21H0, 22F0, 4100, 4110, 4120, 4130, 4180, 4200, 4210, 4220, 4230, 4250, 4280, 4290, 4330, 7500, 7610, 8610, 4260, 4270
Petroleum Storage Tank Fund	8-20.5-103	KATA	8711	1300
State Lottery	24-35-202(1)(b)	TFAA		5030, & all funds except 8200, 4610
State Nursing Homes	26-12-110	IHKA	FINH, FLNH, HVNH, RVNH, VANH, WVNH	5050, & all funds except 1000, 4610, 8130, 7000, 19C0
Statewide Bridge Enterprise	43-4-805(2)(c)	HTBA		5380, 5390
Statewide Transportation Enterprise	43-4-806(2)(d)	HTCA		5360, 5370
Unemployment Compensation Section	8-71-103(2)(a)	KABA		7010, 7020, 21U0, 23P0, 24M0, 25U0, 26Y0

5.3 Fiscal Year Spending is the Same As Nonexempt Revenue

Fiscal Year Spending (FYS) is defined in paragraph (2)(e) of TABOR as “all district expenditures and reserve increases except, as to both, those for refunds made in the current or next fiscal year or those from gifts, federal funds, collections for another government, pension contributions by employees and pension fund earnings, reserve transfers or expenditures, damage awards, or property sales.”

A literal reading of the definition of FYS is confusing because it is defined as expenditures and reserve increases except for those from certain revenues. The definition mixes expenditures, revenues, reserve increases, reserve transfers, and reserve expenditures. Fortunately, the Colorado Supreme Court has defined reserves as the same as fund balance. Thus expenditures plus reserve increases (or less decreases) would equal revenues given the accounting equation (Revenue – Expense/Expenditures = Change in Fund Balance). As a result, FYS is the same as revenues except for those revenues specifically excluded by TABOR.

Two further refinements are necessary. One is that once District revenue is exempt, it is always exempt. The second is that revenue should not be counted twice within the same District. Given these stipulations, earnings on exempt money are exempt, and transfers within the District are always exempt. However, money transferred from an exempt enterprise to another department within the District would not be exempt, because it is the first time the money has entered the District. An informative example is certain indirect cost transfers received by the Department of Revenue. Indirect cost transfers from the Gaming Division would be exempt from TABOR, while the same transfers received from the Lottery would be TABOR nonexempt. The reason is that the Gaming Division has already counted the Gaming revenue from which the indirect cost transfer is paid while the indirect cost transfer received from the Lottery had not been counted for TABOR, because the Lottery is an exempt enterprise.

5.4 Great Outdoors Colorado

Amendment 8 established the Great Outdoors Colorado Authority (GOCO) in the same November 1992 general election that established TABOR. Amendment 8 received substantially more votes than did Amendment 1 (TABOR). Based on the disparity in the vote tally, the Colorado Supreme Court ruled that GOCO takes precedence over TABOR and that money the State receives from GOCO is exempt. Since exempt money retains its exemption, agencies need to be careful when receiving and accounting for GOCO money. For example, if the Division of Parks and Wildlife receives GOCO money and then passes it on to another department, that money would retain its exemption even though Parks and Wildlife is a TABOR exempt enterprise and normally revenue received from Parks and Wildlife would have to be counted as nonexempt.

5.5 Investment Earnings

Normally when investment earnings are received on exempt revenues those earnings are also exempt. However, there is an exception to that rule. When nonexempt revenues are transferred within the District, even though the transfer is exempt, the earnings on the transferred moneys would be nonexempt since the original source was nonexempt. For example Gaming moneys are nonexempt and the investment earnings on that money is also nonexempt even after the funds have been transferred to another department as an exempt transfer. If this policy were not in place, the State could avoid earning nonexempt TABOR investment revenue by simply transferring the revenue to another fund. Doing so would violate the intent of TABOR.

5.6 Corrections of Errors in Recording Revenues in Prior Years

For Fiscal Year Spending Limit purposes, CRS 24-77-103.5 requires the State Controller to correct errors in prior years' revenues by increasing or decreasing the allowable fiscal year spending of the year in which the error is discovered. Although no specific limitation is expressed in the statute on the number of years an undiscovered error will be considered subject to this statute, other statutes do place limitations on the retention and amendment of records; for example, revision of income tax returns is limited to four years. Adopting this same limitation, it is the policy of the State Controller to only amend TABOR revenues for errors in the previous four fiscal years. For Excess State Revenues Cap (ESRC) purposes, CRS 24-77-103.6 is silent on the correction of errors in prior years' revenues. However, it is the policy of the State Controller to amend prior years' TABOR revenue errors in the calculation of the ESRC, in the same manner as for the Fiscal Year Spending Limit. Exhibit A1, which is used to notify the Controller of an error in TABOR revenue, is limited to the previous four fiscal years and should be submitted, regardless of amount.

5.7 Revenue Received from Higher Education Institutions

Higher education institutions record their qualifying TABOR activity in Fund 320X – Higher Ed

TABOR Enterprise, and their nonqualifying TABOR activity in Fund 305X – Higher Ed NonTABOR Enterprise.

For FY2016 all institutions except Fort Lewis College, Western State Colorado University and the Auraria Higher Education Center (AHEC) are expected to fully qualify as TABOR enterprises and operate in Fund 320X. Adams State University will re-qualify as a TABOR-exempt enterprise in FY2016. AHEC has been designated as a partial TABOR enterprise and operates in both Funds 305X and 320X.

A higher education institution is disqualified as a full TABOR enterprise if it receives more than ten percent of its revenue in grants from state or local governments, or loses its ability to issue revenue bonds. When a fully designated TABOR enterprise disqualifies it becomes only partially designated, as the auxiliary enterprise portion of its activities continues to meet the criteria for designation (similar to AHEC).

State agencies that are not TABOR enterprises must properly classify their inflows from all higher education institutions as exempt if the inflows come from the institution's Fund 305X, or as nonexempt if the inflows come from its Fund 320X. In general, inflows received from a partially designated higher education institution's Fund 305X (by state agencies that are not TABOR enterprises) are exempt because the inflows are simply a movement of funds within the state TABOR district. Inflows received from an institution's Fund 320X are nonexempt because the inflows are new within the state TABOR district.

5.8 Questions Regarding TABOR

Questions about TABOR and whether or not certain revenue is exempt or nonexempt may be directed to Marc Burkepile (303-866-3346 or marc.burkepile@state.co.us) in Financial Analysis & Reporting.

CHAPTER 5: SECTION 6
MANAGEMENT REPORTING RESPONSIBILITIES

6.1 Reporting for Financial Responsibility and Accountability Act CRS 24-17-101

The Financial Responsibility and Accountability Act requires that each principal department and higher education institution file an annual written statement that their systems of internal accounting and administrative control are in compliance with the requirements of the Financial Responsibility and Accountability Act. The Statement of Compliance form, included with these procedures, was developed by the Management Systems Improvement Project Team as part of a statewide effort to improve evaluation of administrative controls including accounting controls.

The Statement of Compliance form should be completed for each statutory element (items a-e on the form). Examples of items that might be considered in the assessment process are listed after each element. We recognize that each department/institution has its own method for assessing its control systems. The compliance statement also serves to certify each department's ongoing review of TOPs data, including the process to identify adjustments to data exclusions (see Section 6.4 of this chapter). You are asked to attach a brief summary of the assessment process used and plans and schedules for correcting any weaknesses noted.

The Statement of Compliance form, with attachments, is due by December 31 annually. Please send one copy of the form, with attachments, to the OSC and one copy to the Office of the State Auditor. The OSC will provide the required information to the Governor's Office.

6.2 Management Representation Letter

Due to the detail, complexity, and compliance aspects of the State Controller's representation letter to the State Auditor, and in order for the State Controller to have a basis for making representations to the State Auditor, all cabinet/department/institutions are required to provide the State Controller with a signed copy of the cabinet/department/institution's representation letter to the State Auditor. The signed copy is due to your OSC Consultant on the same day that it is provided to the State Auditor, which is dictated by the close of audit fieldwork by the Statewide Audit Team.

The State Auditor developed a standard format for the management representation letter. Use of the standard format will simplify the review process in the OSC by allowing easier identification of required elements as well as unique items requiring further scrutiny.

6.3 Federal Funding Transparency and Accountability Act (FFATA)

Similar to ARRA, as reporting is a federal compliance issue rather than an accounting issue, guidance will not be provided in this manual for FFATA reporting. However, information is posted on the OSC's website at: https://www.colorado.gov/pacific/osc/ffata

6.4 Transparency Online Project System (TOPS)

As a result of House Bill 09-1288, the OSC and the Governor's Office developed the Transparency Online Project. The bill required that many of the data elements contained in the State accounting system be made available publicly, and the resulting public website can be accessed at: http://tops.state.co.us/. There was a provision to exclude legally protected data, and each department and institution provided exclusions at the time of implementation. However, the review of data needs to be ongoing to identify changing circumstances. Certification of the review is contained in annual FRAC statement discussed in Section 6.1 of this chapter. Additionally, each department's website must contain a link to the TOPS website.

6.5 Procurement Card Violation Report

Pursuant to Fiscal Rule 2-10, all incidents or procurement card misuse that are recurring, significant, or in excess of $500 should be reported in writing to the State Controller at least annually. Reports shall be submitted to the OSC by November 1 each year. This Report should include results of any investigation or follow-up including corrective measures implemented to prevent or reduce the likelihood of future occurrences.

All incidents of procurement card suspected theft or embezzlement shall be reported according to Fiscal Rule 1-9.

6.6 Reporting Theft or Embezzlement

Pursuant to Fiscal Rule 1-9, any suspected theft or embezzlement of state funds shall be immediately reported to the chief executive officer, or delegate, and the chief financial officer of the state department or higher education institution and appropriate action taken. A theft or embezzlement of state funds or assets totaling $5,000 or more per incident shall be reported in writing to the State Controller. Also, the results of any investigation or follow-up including corrective measures implemented to prevent or reduce the likelihood of future occurrences must be reported in writing to the State Controller in a timely manner.

Loss or theft of sensitive or personal information as described in CRS 24-72-204 shall be reported immediately to the department/ institution’s chief executive officer (or delegate), chief financial officer and the State Controller.

CHAPTER 5: SECTION 7
UNCOMMITTED CASH RESERVES REPORTING

CRS 24-30-207 requires the State Controller to prepare a report showing the amount of uncommitted reserves credited to each of the State of Colorado's cash funds. This report is prepared in accordance with the statutory definitions and may not agree to financial reports prepared on the basis of GAAP. The State Auditor must audit the report. The report is to be delivered to the Office of State Planning and Budgeting and to the Joint Budget Committee on or before September 20 of each year.

7.1 Cash Fund Defined

CRS 24-75-402(2)(b) defines "cash fund" as any fund, other than the state General Fund and any federal fund, any fund used by a state institution of higher education, and any fund established by law for a specific program or purpose.

The balances of each fund are generally reported at the fund and department level.

7.2 Cash Funds Excluded

The following cash funds are specifically excluded from the cash reserves report:

- Any cash fund for which revenue is derived solely from fees, the amounts of which are established by the federal government;
- Any cash fund for which revenue is derived solely from fees set by the Colorado Supreme Court in the exercise of its exclusive authority to regulate the practice of law;
- Any cash fund for which revenue is derived solely from fees set by an enterprise, as defined in CRS 24-77-102(3) or a special purpose authority;
- Any cash fund that is established for capital construction;
- Any cash fund for which the reserve amounts are based on actuarial requirements;
- Any trust funds;
- Any cash fund with uncommitted reserves of less than $200,000;
- The Petroleum Storage Tank Fund;
- The Hazardous Substance Response Fund;
- The Land and Water Management Fund;
- The Brand Inspection Fund;
- The Colorado State Fair Authority Cash Fund;
- The Highway Users Tax Fund (except the Emergency Medical Services Fund, Colorado State Titling and Registration Fund, and the AIR account);
- The State Highway Fund;
- The Workers' Compensation Cash Fund;
- The Workers' Compensation Cost Containment Fund;
- The Judicial Performance Cash Fund;

- The Disabled Telephone Users Fund;
- The CBI Identification Unit Cash Fund;
- Buildings and Grounds Cash Fund;
- Judicial Information Technology Cash Fund;
- Motorcycle Operator Safety Training Fund;
- Private Activity Bond Allocations Fund;
- High Cost Administration Fund;
- Public School Construction and Inspection Cash Fund;
- Health Facility Construction and Inspection Cash Fund;
- Marijuana Cash Fund;
- Emergency Fire Fund;
- Wildland Fire Equipment Repair Fund;
- Wildland Fire Cost Recovery Fund;
- Wildfire Emergency Response Fund;
- Wildfire Preparedness Fund
- Enterprise Services Cash Fund;
- Public Safety Inspection Fund;
- Employee Leasing Company Certification Fund;
- Conveyance Safety Fund;
- Oil and Gas Conservation and Environmental Response Fund; or
- Any cash fund used to fund a single program if the program has been in existence less than two full years.

7.3 Fund Balance

Fund balance is the net of total assets and total liabilities (including ending balances for closing classes 1, 2, 4, 5, 16 and 17) in each fund as of fiscal year-end. The balance excludes financial statement presentation entries.

7.4 Exempt Assets

Exempt assets are any long-term assets or nonmonetary current assets held by the fund at fiscal year-end. "Nonmonetary" current assets are those that either cannot be converted to cash or are held with the intent of being used rather than converted to cash, including but not limited to consumable inventory and prepaid expenses. Amounts in this column also include the Capital Reserve.

7.5 Capital Reserve

CRS 24-75-403(2) states that "For each cash fund from which moneys are appropriated for capital outlay or capital construction, the principal department responsible for the accounting related to the fund shall identify in the fund balance report a capital reserve, which consists to an amount equal to the depreciation of the depreciable components of the capital outlay or the capital construction, based on the depreciation period." The OSC has provided the amount of Accumulated Depreciation related to the funds on the Cash Funds Uncommitted Reserves Report for your information.

7.6 Previously Appropriated Fund Balance

Previously appropriated fund balance is that portion of fund balance that has been appropriated for capital construction or other multi-year purposes. Funds to be transferred per a continuous appropriation in statute are considered to be a multi-year purpose and therefore should be included in the previously appropriated fund balance. However, reserve transfers mentioned in the Long Bill are not necessarily considered multi-year and will need to be evaluated on a case-by-case basis to determine whether they fit the description of previously appropriated fund balance.

7.7 Fee Revenue

Fee revenue means any moneys collected by an entity, except that fee revenue does not include:

- Any moneys collected from sources excluded from state fiscal year spending, as defined in CRS 24-77-102(17);
- Any moneys received through the imposition of penalties or fines or surcharges imposed on any person convicted of a crime;
- Any moneys appropriated from the General Purpose Revenue Fund (Fund 100);
- Any moneys received through the imposition of taxes;
- Any moneys received from charges or assessments, the amount of which is not determined by the entity;
- Any moneys received from gifts or donations;
- Any moneys received from local government grants or contracts;
- Any moneys received through direct transfers from another entity, enterprise, or a special purpose authority; or
- Any moneys received as interest or other investment income.

7.7.1 Fee Set in Statute

If you have funds with fees set in statute, please be sure to record the revenue using the sub-revenue code "STAT". The Report excludes amounts charged to sub-revenue code STAT from the Fee Revenue calculation.

7.8 Nonfee Fund Balance

Nonfee fund balance is calculated by subtracting any exempt assets and previously appropriated fund balance from the total fund balance and multiplying the result times the ratio of nonfee revenue to total revenue.

7.9 Uncommitted Reserve

Uncommitted reserve is calculated by subtracting any exempt assets and previously appropriated fund balance from the total fund balance and multiplying the result by the ratio of fee revenue to total revenue.

7.10 Maximum/Alternative Reserve

Maximum Reserve is defined as 16.5 percent of fiscal year expenditures. In some cases, an alternative reserve is used when there is a reserve limit established by statute.

7.11 Excess Uncommitted Reserve

Excess uncommitted reserve is the amount by which the uncommitted reserve exceeds the maximum/alternative reserve.

7.12 Turnaround Report

The OSC has prepared turnaround reports for departments with any funds with uncommitted reserves greater than $200,000. These reports are available in infoAdvantage (Diagnostic and OSC Reports page). Beginning in Fiscal Year 2016, turnaround reports must be submitted by all departments with Uncommitted Reserves greater than $200,000.

Please save the report in EXCEL format, fill in any information regarding:

- Previously Appropriated Fund Balance amounts;
- Alternative Maximum Reserve amounts;
- Identify funds with multi-year revenue-collection cycles (and providing the fiscal years included in those cycles for averaging);
- Verify the reasonableness of what is reported for any funds.
-

Please email the turnaround reports to DPA_RAmailbox@state.co.us with your explanations and statute citations.

See the calendar for specific due dates.

CHAPTER 5: SECTION 8
INDIRECT COST EXCESS RECOVERY FUND REPORT

Excess indirect cost recoveries, prior to Senate Bill 13-109, were generally required to be credited to the General Fund. As a result, collections from the application of the approved departmental indirect cost rate in excess of overhead costs reverted to the General Fund. Senate Bill 13-109 creates the Indirect Costs Excess Recovery Fund, with an account for each principal department, except the Department of Higher Education, as a mechanism to capture this excess revenue for use in future years.

8.1 Calculation

The calculation of the excess is based on each department's Indirect Cost Assessment line item(s). It is the policy of the State Controller that the maximum recovery available, as required in Fiscal Rule 8-3, be credited as revenue to the Indirect Cost Assessment line item(s).

8.2 Transfer of Excess Indirect Cost Revenue

Prior to period 13 close, each department shall transfer any revenues collected in the Indirect Cost Assessment line item in excess of the amount expended to Fund 27G0 - 1/C EXCESS RECOVERY FUND. Contact Trevor Borgonah (trevor.borgonah@ state.co.us or 303-866-3468) to establish coding, as necessary, to complete the transaction.

8.3 Annual Report

As required by Senate Bill 13-109, the Office of the State Controller will annually report the revenues, expenditures, and balance in each department account within the Indirect Costs Excess Recovery Fund to the Joint Budget Committee and the General Assembly each November 1. Please contact your Consulting and Analysis controller if you have any questions.

CHAPTER 6: SECTION 1
EXTERNAL BANK ACCOUNTS

1.1 External Bank Account Approval Process

Per the requirements of CRS 24-36-103, 24-36-104 and 24-75-202, departments or institutions of higher education must obtain prior approval from the State Controller and the State Treasurer to open an external bank account. Approval for the account will be in the form of a letter from the OSC, and this approval must be obtained prior to opening an account.

The department should prepare and submit a written request for an external bank account to the OSC signed by the department controller. Send the written request to the department's OSC Consultant. This request should contain the following information:

1. Type of account requested (e.g. depository, imprest, checking/savings)
2. Justification for the account, including:
   a. Why this money cannot be directly deposited with the Treasurer;
   b. Why state warrants cannot be issued;
   c. Use of account (e.g. What moneys will be deposited into the account? What kind of disbursements will be made out of the account?);
   d. Statutory or regulatory requirements;
   e. Anticipated average daily balance in the account; and
   f. Any other information available to clarify the review.
3. Bank preference, if known.

The OSC reviews the request and if approved, routes their approval via a memo to the State Treasurer for review and approval. If the State Treasurer approves the request, the original memo is filed at the OSC and a copy is sent to the requesting department. Additional information regarding the bank name, account number, and other items need to be provided to the OSC once the external bank account is opened. A form is provided along with the approval memo to relay this information to the OSC. If either the OSC or the State Treasurer denies the request, the department is notified by the OSC.

If the department has questions regarding banking issues relative to opening an external bank account, they should contact the cash manager at the Department of Treasury (303-866-3253) prior to submitting the request for approval. Approvals for a group of accounts will be granted only for agencies that have numerous accounts for the same purpose (e.g., driver license offices throughout the State). The Department of Treasury also performs periodic reviews of existing external bank account usage to determine if the account is still necessary.

1.2 Deposit of Public Funds

Public funds are required by statute to be deposited in eligible public depositories. CRS 11-10.5-111 states in part,

> "Any official custodian may deposit public funds in any bank which has been designated by the banking board as an eligible public depository. It is unlawful for an official custodian to deposit public funds in any bank other than one that has been so designated."

> "Each official custodian shall inform an eligible public depository that the public funds on deposit are subject to the provisions of this article <u>before</u> entering into a

depository agreement with the eligible public depository."

Each department or institution of the State has been assigned a 12-digit PDPA (Public Deposit Protection Act) number. See the Division of Banking website listed below for further explanation of the Act.

Department or institution PDPA numbers should **not** be used on any accounts where the funds are not public funds. Funds recorded in CORE and Fund 9000 (agency funds) are considered public funds.

The State Treasurer is generally considered the official custodian of state funds. Contact the Department of Treasury (303-866-5826) with questions regarding state funds, and for the PDPA number assigned to your department. Each state department's or institution's PDPA number may be accessed on the Division of Banking's website at: http://cdn.colorado.gov/cs/Satellite/DORA-DB/CBON/DORA/1251624403156 - "List of all PDPA Numbers". The department's or institution's PDPA number must be furnished to the banking institution at the time the account is opened.

Any questions regarding banking institutions authorized to accept public funds should be directed to the Department of Regulatory Agencies, Division of Banking (DOB) at 303-894-7575 The Division of Financial Services within the Department of Regulatory Agencies maintains the eligible list of savings and loan institutions. They can be reached at 303-894-2336. or the list of Certified Banking Institutions (those determined eligible to hold public funds) can be accessed by going to the Division of Banking's (DOB) website at http://cdn.colorado.gov/cs/Satellite/DORA-DB/CBON/DORA/1251626368870, clicking on "Find and Institution" and select "PDPA Eligible Depositories" from the dropdown menu next to "Institution Type" and click "Go To Search Form" for all eligible depositories. You may also narrow your search by "City" using the dropdown menu.

Each banking institution eligible for the deposit of public funds is issued a certificate by the Division of Banking. The department should request a copy of the banking institution's certification as an eligible public depository and maintain it for its records.

1.3 Turnaround Report

External bank account information is verified on a periodic basis. For years selected for verification, a turnaround report will be sent by the OSC to each department or institution in May, prior to fiscal year close. It is anticipated that the next cycle for verification will be in May 2016. Departments may also find the report useful to prepare bank confirmations. Instructions and due dates will be distributed with the report. The turnaround report is not to be used to request approval for an external bank account. Requests for approval should follow the procedure explained above.

The DOB compares the external bank account information maintained by the OSC to account information submitted by the banking institutions. Information obtained by the DOB regarding missing accounts or other account information will be sent to departments and institutions. This information should be reviewed and account information added or adjusted as appropriate. The department may be asked to provide a copy of their approved external bank account application.

CHAPTER 7: SECTION 1
CREDIT/ACCOUNTS RECEIVABLE POLICY

CRS 24-30-202.4 states:

> "The controller shall advise and assist the various state agencies concerning the collection of debts due the State through such agencies, in accordance with rules and regulations promulgated by the executive director of the department of personnel, to achieve the prompt collection of debts due such agencies. The controller may delegate the responsibility for the collection of debts to the central collection services section of the division of finance and procurement, or any successor section, in the department"
>
> Upon referral to the controller of debts due the State, the controller shall institute procedures for collection thereof pursuant to the rules and regulations promulgated therefore by the executive director of the department of personnel."

The executive director for the Department of Personnel & Administration (DPA) has issued the Accounts Receivable Collections Administrative Rule (the Rule) that establishes policies and procedures for the collection of debts due all state agencies and institutions (state agencies). The Rule provides general guidance to state agencies in developing procedures for the collection of accounts receivable. The Rule also provides general guidelines on submitting accounts to Central Collection Services (CCS) in DPA. The Rule does not outline a statewide credit policy, nor does it have definitions for important terms involved in the collection of debts due the state.

This policy outlines the State of Colorado's credit policy and provides state agencies with definitions of selected terms involved with receivables and receivable collections. It also provides procedural guidance on recording, reporting, and collecting debts due the state.

This policy applies to debts due the state from sources other than federal, state, or local governments. The policy applies to all state agencies, unless specifically exempted by statute. If a state department determines that compliance with this policy presents an undue hardship on the operations of the department, the state department should consult with the OSC on the need to deviate from the policy. CRS 23-5-113 states that the governing board of any Higher Education Institution may promulgate rules and regulations relating to the collection of any outstanding obligations owed to their institution.

1.1 State of Colorado Credit Policy

It is the policy of the State of Colorado that:

- State agencies implement policies and procedures that ensure prompt payment of amounts due the state. This includes developing and implementing a credit policy for the state department.
- State agencies, where possible, collect for goods or services provided at or before the time of delivery. When state agencies utilize credit cards, they are encouraged to institute a credit card acceptance procedure as soon as possible.
- State agencies extend credit only when required by statute or other administrative rule, or when collectability is reasonably assured and appropriate steps are taken to protect the interest of the State.
- State agencies provide a notification to the debtor regarding what appeal or dispute rights are available.
- All invoices, which represent an extension of credit under this policy, must include a due date when payment is required to be received by the state department, unless the due date is otherwise specified by written agreement.
- A final invoice which advises the debtor that the account is subject to final department

determination and will be referred to collections if not paid by the due date.

- State agencies should not voluntarily extend credit to individuals or businesses known to have outstanding debts, or nondischarged debts resulting from a bankruptcy order within the past seven years of the most recent request for credit. State agencies should not accept personal checks for payments from individuals who have submitted checks previously that have not cleared the bank. Under these circumstances, state agencies must receive payment for goods or services in advance or at the time the goods or services are provided.

When credit is voluntarily extended, the state department must obtain sufficient information from the debtor to allow for collection efforts should the debt not be repaid on a timely basis. State agencies must make every effort to obtain sufficient information from a debtor when the state department is required to extend credit. The Rule includes relevant information that state agencies should obtain before extending credit.

1.2 State of Colorado Past Due Receivable Rule and Policy

The Rule requires:

- State agencies bill for goods or services rendered as quickly as possible.
- State agencies establish a definite schedule of payment of the account receivable.
- State agencies refer all debts to the State Controller for collection when the debt is 30 days past due or in accordance with an approved alternative timeframe. This requirement is met by sending the past due accounts to CCS.
- State agencies should not refer debts in amounts less than $1.00 to CCS. Their system cancels any balance less than $1.00

The Rule defines a debt as being “past due” if the debt has not been paid by the close of business on the due date.

The due date is defined as the date when payment for invoiced goods or services must be made to the State, or the date(s) scheduled payments are due under a payment plan.

It is the policy of the State of Colorado that:

- State agencies implement methods or procedures to identify and follow-up on past due receivables. This includes, but is not limited to, a periodic aging of all accounts receivable.
- State agencies establish a due date that provides reasonable assurance of prompt payment by the recipient, when it is not feasible to collect payment at the time the goods or services are provided.
- State agencies reconcile internal records to reports issued by CCS showing past due accounts receivable amounts submitted to CCS for collection on a periodic basis, but not less than quarterly.

1.3 Exemptions from Timely Submission of Accounts to Central Collection Service (CCS)

Certain agencies have either a statutory exemption or a waiver from the State Controller extending the 30-day time frame for submitting past due accounts to CCS. Past due accounts, as defined by the Accounts Receivable Administrative Rule, include receivables 30 or more days past the due date established by the department. The waivers granted by the Controller allow for additional time to submit accounts to CCS based on a specific or unique circumstance in that department. The Controller’s Office will periodically review these extensions to determine whether the circumstances for which they were given are still valid. Any department wishing to apply for an extension should do so by submitting the “Accounts Receivable Collections Administrative Rule 2.6 - Extension Request of 30-Day Requirement” form.

The form is also located on the OSC’s website under Forms at https://www.colorado.gov/pacific/osc/financial-resources.

1.4 State of Colorado Accounts Receivable Write-off Policy

It is the policy of the State of Colorado that state agencies shall, at least annually, review their accounts receivable prior to the end of the fiscal year and request a write-off of accounts deemed uncollectible. An account may not be written off if it has not been through tax offset (if applicable) and if there has been collection activity within the last 27 months. Other criteria may exist which would support the writing-off of an amount due the State.

When determining if an account is uncollectible, a state department should consider the following factors:

- Age of the receivable
- Payment activity on the account
- Results of legal actions taken
- Financial condition or other relevant information regarding the debtor
- Results of tax-offset process

Because write-offs are done for financial reporting purposes only, they do not affect the validity of the debt or the continuing collection efforts. Agencies should maintain detail regarding the original charges and other fees even after the receivable has been written off. Generally, there is no statute of limitations on debts due the State.

The request for write-off should be processed in accordance with the administrative rule procedures. For write-off requests submitted to CCS for accounts over $50, CCS will make a recommendation to the OSC, and the OSC will make a decision based on CCS's recommendation. For accounts under $50, there are no required approvals from CCS or the OSC, as long as the accounts have been through one tax offset cycle and the department has notified CCS within 30 days of such write-offs. See Chapter 3, Section 3.5 for additional details related to the accounting of write-offs.

A department may not request a write-off of an account deemed uncollectible if it has not been referred to CCS. If deemed uncollectible the debt needs to be requested as a forgiveness of debt. See section 1.8 of this chapter regarding the policy on forgiveness of debt due the state.

1.5 Cancellation of Accounts Receivable Submitted to CCS

Under certain circumstances, a state department may determine that an account was inappropriately submitted to CCS, or other events have occurred that results in a need to recall the account from CCS. In this event, the state department may submit a cancellation request to CCS. A cancellation stops all collection efforts and adjusts the account balance to zero on CCS's database. Information on how to request a cancellation can be obtained from CCS.

A cancellation request could occur under the following conditions:

1. The debt is cancelled, but remains in the accounting records:
   - A past due account is submitted to CCS by a state department authorized to collect on past due accounts receivable using a means or method other than CCS, and the state department chooses to use other means or methods to collect the debt. The receivable remains on the state departments accounting records.
   - A state department receives payment to bring the account into current status within five working days of placing the account with CCS. The receivable remains on the state departments accounting records.
2. The debt is cancelled and is removed from the accounting records:

- The state department determines that the debt should never have been submitted to CCS because it was not a valid receivable or other similar reason. This includes debts submitted to CCS where collection efforts cannot proceed because the required debtor information or evidence supporting the underlying charge is not available. The state department should remove the receivable from the state departments accounting records.
- A loan guaranteed by the federal government or some other guarantee organization is in default and the loan is turned over to the guarantee organization for collection. The state department should remove the loan from the state departments accounting records.
- An order of bankruptcy discharge that identifies the state debt as being discharged. The state department should remove the receivable from the state departments accounting records.
- Death of the debtor with no estate to make a claim against, after being included in the next tax offset, if appropriate. The state department should remove the receivable from the state departments accounting records.

A cancellation request should not be used to recall an account from CCS because of direct payment to the state department after five days after assignment or to stop collection efforts because the state department wants to forgive, settle, or otherwise compromise the amount that is due the state.

1.6 Administrative Adjustment of Balances for Accounts Submitted to Central Collection Services

Occasionally account amounts may need to be corrected. These corrections are referred to as administrative adjustments. Types of administrative adjustments may be:

- When a state department may need to change the principal or interest amount of debt reported to CCS as past due. Such an adjustment may be necessary due to an error or other principal change since the original amount was placed for collection.
- Compromises of debt approved by the State Controller and State Treasurer are also treated as administrative adjustments.

When these occur, the state department should submit an adjustment report to CCS so that both entities books are in balance.

Except in the case of compromises or settlements, collection efforts will continue on the remaining outstanding balance. CCS can provide information on how to report an adjustment to an account.

An adjustment should not be requested when a payment is received directly by the state department or as a means to settle, forgive or otherwise compromise an amount due the state that has not been approved by the State Controller and State Treasurer.

State agencies and CCS may also need to adjust their internal records because of minor differences between the two. The CCS system cancels any balance remaining on an account that is less than $1.00. State agencies may make these miscellaneous (nonprincipal) adjustments to their internal records without the approval of the State Controller and without submitting an adjustment report to CCS. These generally occur with a final payment. Additionally, these types of adjustments should be less than ten dollars.

State agencies should make appropriate entries to their accounting records to reflect administrative adjustments made by CCS.

1.7 Pay Directs

A state department that receives a payment on an account already assigned to CCS, shall notify CCS within 30 days of receipt of such payment. CCS and/or contract vendors are entitled to commission on such payment.

If such payment will pay the balance in full on an account, the state department should contact CCS prior to accepting payment to ensure balances are accurate.

1.8 State of Colorado Policy on Forgiveness, Settlement, or Other Compromise of Debt Due the State

CRS 24-30-202.4 (3) (c) states:

> "The State Controller, with the consent of the State Treasurer, is authorized to write off, release, or compromise any debt due the State, but only in accordance with the rules applicable thereto. Such rules may provide delegated authority and criteria for write off, release, and compromise of debts and may include provisions to prohibit the referral of debts for tax offset based on the age or amounts of debts. The rules governing write off, release, and compromise of debts may include provisions authorizing the collection of principal, interest, and other collection fees and costs, including the fees required in subsection (8) of this section"

It is the policy of the State of Colorado to forgive, settle, or compromise amounts due the State only when it is in the best financial interest of the State to do so. Institutions of Higher Education that have promulgated their rules and regulations are not subject to the policy on forgiveness, settlement or other compromise. CRS 23-5-113 (2) allows these institutions to authorize write off, release, or compromise any debt or obligation due the institution according to their rules and regulations.

A forgiveness, settlement, or other compromise of a debt due the State involves a decision on the part of the State not to collect an amount due the State, or collect an amount less than the full outstanding balance, including interest and fees. A state department may believe it is in the best financial interest of the State to forgive, settle or compromise a debt. The state department must submit a request to the State Controller to forgive, settle, or compromise a debt. All such requests should be submitted to the State Controller through CCS. If the forgiveness request is for an account that has never been submitted to CCS for collection, CCS may be consulted for concurrence with the forgiveness request.

The request for forgiveness, settlement, or compromise should include:

- Debtor name, CCS debtor number, state department
- Original balance of debt, amount paid, amount to be settled,
- Collection efforts made, and
- All relevant financial information used in deciding why the recommended action is in the best financial interest of the State.

If the State Controller concurs with the request, the request will be forwarded to the State Treasurer. If the State Treasurer concurs with the request, an approval letter will be sent to CCS, which CCS will forward to the state department that made the request. Upon approval by the State Controller and the State Treasurer, CCS will apply any final payment, adjust the balance of the account on CCS's inventory system to zero, and change the status on the account to settled in full (SIF). No further collection activity will occur. A forgiveness, settlement, or compromise is treated like an administrative adjustment.

If the State Controller or State Treasurer does not approve the request, it will be returned to CCS as denied. CCS will forward the denied request to the state department.

CHAPTER 8: SECTION 1
STATEWIDE SECURITY POLICY FOR ACCESS TO THE STATE FINANCIAL SYSTEM

1.1 Security Policy

It is the policy of the State of Colorado that:

- Access to the State Financial System is granted solely to conduct legitimate business on behalf of the State of Colorado. The State Financial System includes: the Colorado Operations Resource Engine (CORE), infoAdvantage, Colorado Financial Reporting System (COFRS), DocumentDirect, the Financial Data Warehouse (FDW), Colorado Personnel and Payroll System (CPPS), and the Human Resources Data Warehouse.
- Access to the State Financial System is limited to only what the user needs to accomplish his/her job responsibilities.
- Access is permitted under the condition that the user signs and observes the applicable Statement of Compliance. Access may be revoked if the user violates this Statement.
- Access requests are initiated by completing the applicable security request forms approved by the department controller who has knowledge about the users' legitimate need to access/change financial data.
- Each user that is given access to the State Financial System will receive an individual user ID for access to the state financial system.
- All user ID's with access to the State Financial System require password protection.
- User accounts will remain active until a user's employment relationship either changes or terminates, or the dormancy period is exceeded.
- Each department controller is the security administrator for the Financial System.
- All users of CPPS will attend training before security access is granted.
- Requests received for information contained in the State Financial System shall be processed according to statewide procedures for handling open records requests.
- The State Controller may approve exemptions or waivers from this policy.

1.2 Security Policies and Procedures

The security policies and procedures for each system can be found at the websites listed below:

CORE

User Access, see http://core.state.co.us/resources-1/policies-procedures, select User Access

Statement of Agreement, see http://core.state.co.us/resources-1/forms

Security Role Administration, see http://core.state.co.us/resources-1/policies-procedures, select Security Role Administration

Access to Confidential Vendor Information:

- Employees with access to confidential vendor information must agree to a background check. The agreement can be found at http://cores/state.co.us, select Resources, Forms, and Statement of Agreement.

Access to data by the Office of the State Auditor – Contract Auditors:

- Department Controllers may elect to approve access to CORE for contract auditors as an alternative to providing printed documentation. If approved, the contract auditor must complete the attached statement of compliance access request form. Department Controllers are responsible, similar to their own staff, to complete the associated CORE UDOCs to establish and discontinue contract auditor access when no longer necessary. When granting contractor access, please be sure to request ALL_READ access.

- The Office of the State Auditor will coordinate network access directly with OIT for all contract auditors, which is necessary before CORE access can be considered.

COFRS, FDW, DocumentDirect, and CPPS

User Access:

https://www.colorado.gov/pacific/osc/security-policy-access-state-financial-systems

1.3 Applicability

This policy applies to all state employees, contract employees and all other individuals granted access to the State Financial System. The purpose of applying this policy to contract employees is to protect the State interest and does not create an employer-employee relationship.

CHAPTER 8: SECTION 2
FINANCIAL DATA WAREHOUSE

The OSC/COFRS Financial Data Warehouse is a web-based reporting tool available to state employees. It is based on financial data collected in the State of Colorado's reporting system, COFRS. A complete set of accounting and budget data is available from FY00-01through FY13-14, and summary information is available for FY98-99 through FY99-00. Currently, over 350 reports may be created according to user-specified parameters.

2.1 Standard Reports

The reports are grouped by cabinet, organization, and department reports. Within each group, the following reports may be generated:

Daily - These reports include data for a single date or date range within the accounting period selected.

YTD/Period-End - These reports may be run for a specific month, through a specific period, or year-to-date for the specified fiscal year using radio buttons on the criteria page. You may pull for a specific department, or multiple agencies, by using the SHIFT or CTRL keys.

Budget - These reports show the expense budget status.

Create a Report - The FDW provides a number of Create a Report screens for your use. You may display a summary report of your own design in the Create a Report screen. Reports are available under the Cabinet, Organization, and Department groupings. Data is taken from a summarized trial balance file. Also available are screens to create grant reports and to create budget reports.

Within the above groupings, reports are available as follows:

Balance Sheet - These reports show balance sheet amounts (account types 01, 02, 03 and 23) by fund. Drill-down reports are available for the detail of the amounts. Other balance sheet reports are available sorted by GBL and reporting category.

Expenditure- These reports show expenditure activity (account types 22 and 24) by fund. Drill-down reports are available for the detail of the amounts. Other expenditure reports are available sorted by program, organization and long bill line item.

Revenue - These reports show revenue activity (account type 31) by fund. Drill-down reports are available for the detail of the amounts. Other revenue reports are available sorted by program, organization and sub-revenue.

Encumbrance - These reports show encumbrance amounts (account type 21) by object group and object code. Drill-down reports are available for the detail of the amounts. Other reports are available for pre-encumbrance activity (account type 20).

2.2 Search Screens and Other Special Reports

Operating Ledger - This search screen allows you to pull transaction detail for encumbrances, expenditures, and revenues. You may pull the data by vendor name (exactly as it is on the vendor table) or by Document ID.

Operating Ledger II - This screen allows you to pull operating transaction detail for specified criteria. Many of the fields have multiselect capabilities, and some fields allow you to enter the codes you wish to see reported.

Balance Ledger - This screen is used to pull detailed transaction information for the assets, liabilities, and fund balance side of a transaction.

Budget Search - This screen allows you to pull budget transactions from the Budget Ledger.

Balance and Operating Search (General Ledger search) - This screen allows you to pull both sides of a transaction.

Forward Reference - Use this screen to see a specific document ID, and the entries that are created and referencing the original document. For example, if you enter a PV document, you will be able to see the AD document and the WR document that is created to pay the vendor. Please be aware that if a payment is cleared in a subsequent fiscal year, you will not be able to see the information. Please contact the Central Accounting Operations Section of the OSC for more information.

Grant Reports - Grant reports are based on the AGNT and GBLI tables, and are available inception-to-date. Drill-down reports are available for the fiscal year you have selected. If you have a grant that crosses fiscal years, the inception-to-date summary report will stay the same, but you would need to run the report for each fiscal year in order to see the detailed transactions. Individual fiscal year detailed transaction information is available since FY00-01.

Statewide Reports - Reports are available for all agencies/departments on this page.

Table Listings - Reports on specific CORE tables may be run for an agency or department.

2.3 Report Formats

Reports on the Financial Data Warehouse may be viewed in the following formats:

HTML page - A report may be displayed in your web browser as an HTML page. This is the default report format. You will need to use either Microsoft Internet Explorer version 5.0 or later, or Netscape Navigator version 4.7 or later. Cookies must be enabled.

EXCEL 2000 and EXCEL spreadsheet - A report may be exported to a spreadsheet that may be read by Microsoft EXCEL or other spreadsheet software.

EXCEL 2000 spreadsheet - The EXCEL 2000 spreadsheet format captures the complete report, including titles, headers, footers, subtotals and totals in spreadsheet format.

EXCEL spreadsheet - The EXCEL spreadsheet format includes only the data of the report. The report title, header, footer, subtotals and totals are omitted. This format is useful if you wish to rearrange or delete certain columns in the report. You may also re-sort the report or display it as a graph or a pivot table by using EXCEL charting functions. If you need to document the date and selection criteria used to prepare the report, you must do so in a separate file or text box within the spreadsheet.

PDF file - In some cases, you may prefer the PDF report format to HTML for viewing, distributing, or printing a report. Adobe Acrobat is required to read PDF files. When you select to view a report in PDF format, the Adobe Acrobat reader application should open within your browser, and you may view and print the report within it. You may run the reports in portrait, landscape or legal size, depending on the size of your report.

If you run a report in EXCEL 2000 or PDF report formats and e-mail these reports to others, please be aware that the drill down reports will be accessible to the report recipients.

2.4 Web Site Sponsors

This website is jointly sponsored by the OSC and the OIT.

To obtain access to the Financial Data Warehouse, please go to https://www.colorado.gov/pacific/osc/financial-data-warehouse.

CHAPTER 8: SECTION 3
CORE INFOADVANTAGE

infoAdvantage is the reporting tool that provides a data warehouse from the State of Colorado's Operational Resource Engine (CORE) data. It allows for both summary and detail reporting for all functional business areas.

Each of the functional business areas has their own "Universe" assigned to it. A universe groups data elements that correspond to that functional business area for the formulation of reporting and analysis. Within the Universes; there are hierarchies of Classes. Classes are folders and sub-folders of data elements called Objects that are categorized and grouped to allow for logical and succinct combinations of valid data. Reports can be created in real-time based on the user-specified parameters set forth by the Universe attributes and prompts. Ledgers and tables that infoAdvantage extracts data from are updated nightly from CORE data in a process called ETL; the reporting system depends on the completion of ETL for accurate data.

3.1 Report Formats

WebIntelligence - A digital report that may be displayed in your web browser as an HTML page as part of infoAdvantage itself. This is the default report format. You will need to use Microsoft Internet Explorer, have JAVA installed, and cookies enabled; OIT can assist with the compatible Internet Explorer and Java versions.

Excel - The Excel spreadsheet format includes all parts of the data of the report. This includes, but is not limited to the report title, headers, footer, subtotals and totals. This format is useful if you wish to manipulate the data within it or delete certain columns in the report. You may also re-sort the report or display it as a graph or a pivot table by using Excel charting functions and selecting only data fields omitting non-data attributes such as headers, footers, etc.

PDF - In some cases, you may prefer the PDF report format to HTML for viewing, distributing, or printing a report. Adobe Acrobat is required to read/print PDF files. When you select to download a report in PDF format, the Adobe Acrobat reader application should open the document, where you may view and print the report. You may download the reports; then re-format them to view in portrait, landscape or legal size, depending on the size of your report. This format does not allow any data manipulation and therefore is limited in its practicality.

CSV - The CSV (Comma Separated Values) format includes only the raw data of the report; sections such as header, subtotals, etc. are all removed from a CSV export. CSV should NOT be used for reports that have a custom variable; columns with custom variables will be irrational in the CSV output. Best practice suggests saving the report in Excel format instead. Only use CSV for situations in which the number of rows being outputted exceeds Excel's row limit

3.2 Report Delivery

infoAdvantage is based on the self- service delivery model for the standard report users and the intelligent query users. The standard report users select reports from the functional folders, select filters from list boxes that have drill down capabilities and submit the parameters to run the report.

Reports in infoAdvantage can be scheduled, run on demand, and tailored by changing report parameters. The reports can be delivered to users in the infoAdvantage inbox and directly to the user's email address.

APPENDIX 1
REVISION LOG

From its initial publication in May 2016, this log contains the history of subsequent revisions.

Date Revised	Chapter/Section/Topic	Description of Change

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